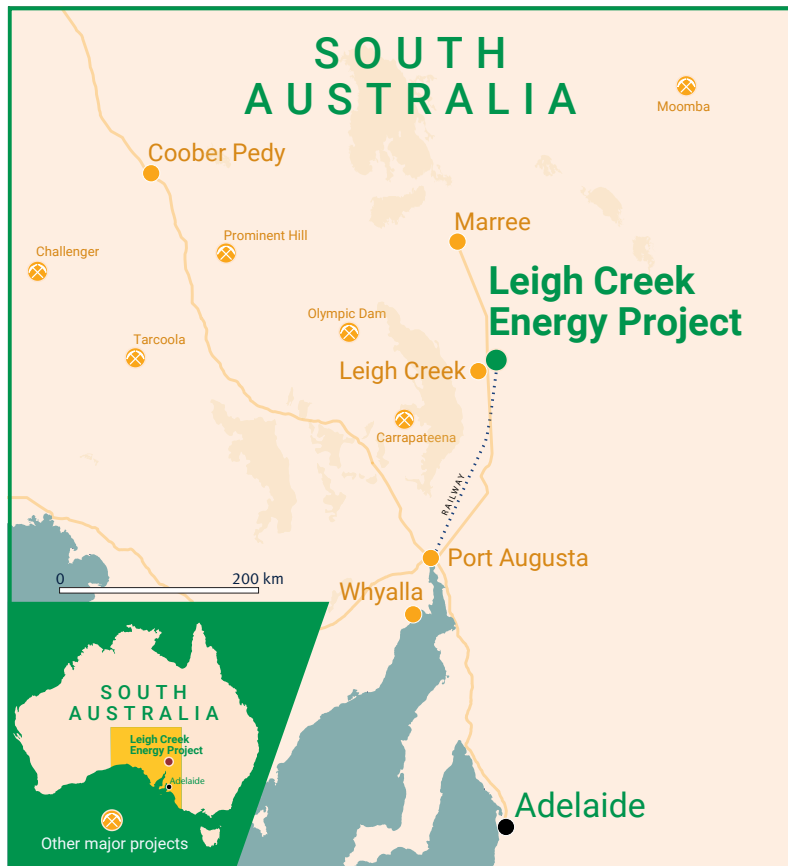




*Working to secure and grow Australia's future*

# Leigh Creek Energy Project (LCEP)

*Leigh Creek Energy Limited (LCK) is an emerging energy company focussed on developing its Leigh Creek Energy Project (LCEP), in northern South Australia.*



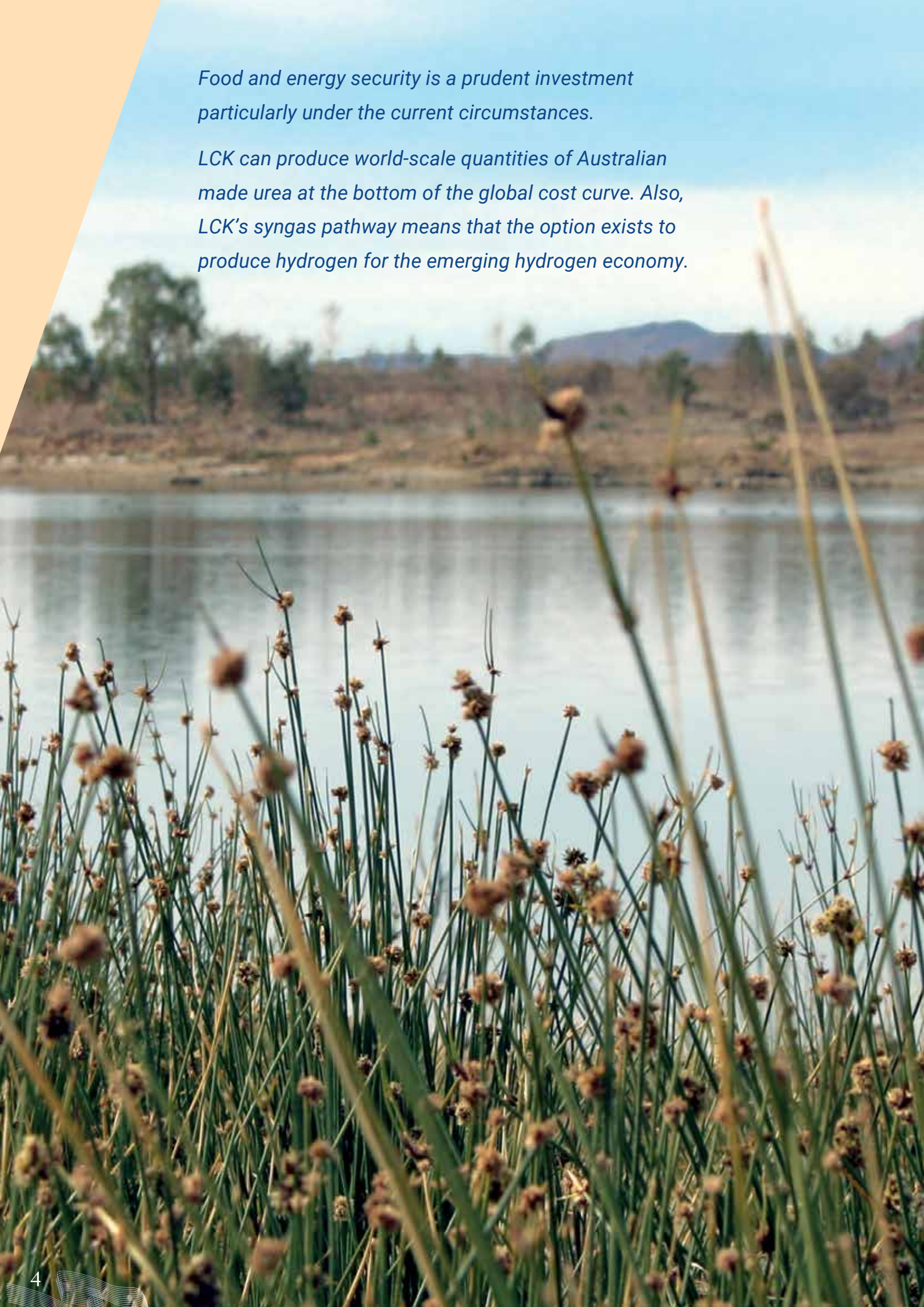
*Right time, right place, right market*

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*Food and energy security is a prudent investment particularly under the current circumstances.*

*LCK can produce world-scale quantities of Australian made urea at the bottom of the global cost curve. Also, LCK's syngas pathway means that the option exists to produce hydrogen for the emerging hydrogen economy.*



## Corporate Overview

**Listed on the Australian Stock Exchange -**

**ASX code:** LCK

**Licences:** Petroleum Exploration Licence 650 (PEL 650)  
Petroleum Retention Licence (PRL 247)  
(Telford Basin, Leigh Creek Coalfield - Leigh Creek,  
South Australia)

**Head Office:** Adelaide, South Australia

## Chairman's letter



It is with great pleasure that I provide our shareholders with a summary of the past financial year, a milestone period for Leigh Creek Energy.

The Board and management of Leigh Creek Energy have used the past year to reposition the company for a great future, both as a leader in ISG technology at our flagship LCEP project and by diversifying into traditional Oil & Gas plays in the Cooper Basin.

Despite tough business conditions, especially in Q4 of the financial year when we grappled with the uncertainties and disruptions to the world markets due to COVID-19 our Company has made significant strides forward, setting the scene for an outstanding 2021.

The impact of COVID-19 has been in the media nearly every day for the last six months. I want to briefly touch on the impact this has had on our company. We all hoped that with the measures taken by the Federal and State Governments, the impact would be minimised, and normalcy would return within three to six months. Unfortunately, the recovery is taking longer than we had hoped, but we are finding innovative ways to operate. Nevertheless, it is slowing down the pace of progress.

We decided during the year, given the uncertainties in the financial markets and the impact of COVID-19, that the Directors, Executive and staff would take temporary pay cuts. Directors would instead of being paid a monthly fee take that fee in shares. I am very proud of the support of both the Directors and staff on this decision, as this has helped ensure that the company is in a stronger financial position through this uncertain time.

Our flagship LCEP project moves closer to commercialisation with the obtaining of the PRL, which is a fundamental step towards commercial production at Leigh Creek. Obtaining the requisite licences to progress the LCEP to the commercial phase is extremely important as it gives LCK both certainty of tenure and gives our strategic partners and investors the confidence that we have the licences needed to produce gas. Despite COVID-19 the LCK team progressed the project and cleared some significant regulatory hurdles.



The LCEP project potentially has a vital part to play in securing energy supplies for Australia, in several key markets such as urea and hydrogen should demand be there. It has been a long road for this project but we are progressively moving closer to realising the full potential of this resource.

During the year we took the strategic decision to diversify our business from solely being an ISG company, to entering into conventional oil and gas activities in the Cooper Basin. With more activity planned in the coming year, the company is on its way to developing near term revenue streams through these complementary projects to our flagship LCEP.

Importantly, our Company works to create positive outcomes for the regions we operate in. To this end during the past year significant resources have been devoted to the Environmental, Social and Governance aspects of our business. The company has made a firm commitment to be carbon neutral by 2030. We continue to explore opportunities to do what we do in a more sustainable, socially conscious way to ensure our project not only succeeds but that we leave a positive and lasting legacy within the communities where we operate.

Lastly, I would like to thank all of the Employees, the Executive, the Board, Contractors and Suppliers of LCK who continue to work tirelessly in pursuit of our project's success. Without their dedication and hard work our company could not succeed. So again, I say thank you to each of you for your ongoing commitment to our Company.



Mr Daniel Justyn Peters  
Executive Chairman

# Managing Director's report

The events in the second half of the financial year have taken everyone by surprise. The impact of COVID-19 has been far reaching and as we go to press, there is still a high degree of uncertainty about the effects of the pandemic going forward.

I'm proud of the way our staff have adapted to working in this new paradigm where they remained positive and dedicated to delivery in their roles despite having to work remotely with reduced salaries.

Our people are our business and we are sure we have the people with the right skills, commitment and passion to transform LCK from a small cap energy explorer into a disruptive large-scale fertiliser producing company.

Together, the Directors, staff, contractors and other stakeholders have helped us to achieve the milestones needed to maintain project momentum and we will continue to work together to deliver on our planned targets.

Although from the outside it may seem to be a frustratingly slow process with relatively little progress, I can assure you that this is far from the case.

During the year we achieved the sum of four years work in the granting of the PRL. The PRL is a huge milestone to commercialising the Leigh Creek Energy Project. Under the PRL, LCK can take the next steps forward in the development of the project. It feels as though the Company has been unshackled and can now move rapidly ahead with our plans.

We safely completed operations on the Pre-Commercial Demonstration (PCD) at the end of last year. Since then we have completed our initial 12 month assessment with pleasing, but not surprising, results. These results demonstrated that:

- No migration of chemicals of potential concern (COPCs) from the PCD gasifier chamber into the surrounding formation
- No detections above air quality criteria
- No ground surface subsidence.

These results show that we have the capabilities to manage what will be the country's largest In Situ Gasification (ISG) project in accordance with the Statement of Environmental Objectives (SEO) as required under the Petroleum and Geothermal Energy Act 2000.

As part of our PCD, we produced large quantities of hydrogen and independent studies have estimated that we can produce up to 200 million kilograms of hydrogen per year at a production cost of less than A\$1/kg. This is significantly less than the government's aspirational target of A\$2/kg.

The challenge is how to best monetise this energy source. The LCK team considered political, market and safety aspects as well as climate impacts and relative production costs.

*The PRL is a huge step forward on the way to commercialising the Leigh Creek Energy Project. LCK is currently working through the legislative requirements to obtain a PPL.*



We decided that the best use of our gas is to produce urea. External scoping studies demonstrated that we can produce 2 million tonnes per annum at \$100 per tonne (a fraction of the current market price).

Our team, whilst lean, is agile enough to investigate new opportunities while remaining focussed on the long-term aim of commercialising the LCEP. This has enabled us to build a diversified but complimentary portfolio during the year, all of which build on our flagship Leigh Creek Energy Project.

The announcement of the Farm In Agreement with Bridgeport for two Authority to Prospect (ATP) permits in Queensland (ATP2023 & ATP2024) in February then the award of two Petroleum Exploration Licence Applications (PELAs) in South Australia in July, together with the announcement of the binding term sheet with China New Energy for the proposed Joint Venture in China help us create near-term revenue and assist in building an experienced subsurface team to better deliver the LCEP.

The team is constantly looking for value accretive opportunities that will both grow LCK and assist us in delivering the LCEP.

Since last year we have developed the Leigh Creek Energy Project into a more robust position through successful environmental results, approvals and commercial pathways. LCK more broadly is now more robust with the diversification of assets.

At LCK we consider Environmental Social Governance or ESG as being at the core of our being.

Importantly, for the first time we are reporting on all our ESG areas in one area; from our reportable activities through to our aspirational goals. I'm very pleased with our progress in all areas, which are covered in the next few pages, but I would like to focus on our aim to be carbon neutral by 2030.

ISG linked with carbon capture usage and storage (CCUS) technologies will enable LCK to achieve its ambitious target of carbon neutrality. When we capture and store the majority of CO<sub>2</sub> from our production, the process is clean. This will put our products on a par with products created from renewable energy.

We will also be looking to introduce renewable energy into our processes as the technology develops in the next decade.

Our company has changed significantly over the past 12 months. The pace of change is set to increase. We have an exciting year ahead!



Mr Phil Staveley  
Managing Director



# Leigh Creek Energy Project (LCEP)

Leigh Creek Energy (LCK) is an ASX listed energy company focussed on developing its Leigh Creek Energy Project (LCEP), located 550km north of Adelaide in the state of South Australia. The project is located on Petroleum Exploration Licence 650 (PEL 650), which covers an area of 93 km<sup>2</sup> over the Leigh Creek Coalfield, and Gas Storage Exploration Licence (GSEL) 662 which covers the same area.

The Leigh Creek Coalfield was quickly identified as a highly favourable location for In-Situ Gasification (ISG) development using criteria that covered environmental, technical and commercial aspects.

The coal resource is technically suitable for ISG, it is well serviced by local infrastructure and most importantly, the site is suitable for undertaking ISG in a manner that is safe and minimises environmental impact.

Other favourable factors that influenced the location of the Leigh Creek Energy Project include:

- high quality existing infrastructure (road, rail, water and power)
- nearby service centre at Leigh Creek township
- strong local community and potential workforce
- extensive information base for the Leigh Creek Coalfield
- existing disturbed mine site (minimising disturbance footprint)
- distant from environmental and cultural sensitive areas.

The ISG process converts coal from its solid state into a gaseous form, resulting in the production of synthesis gas (syngas) containing methane, hydrogen and carbon monoxide. The syngas can be processed into hydrogen, ammonia or urea.

LCK's pathway to development of the LCEP is entering the third and final stage, the commercial stage. The first two stages have been completed.

## **Characterisation Phase - Completed**

Investigate cultural, environmental, geological, geotechnical, hydrogeological and social characteristics of the site.

## **Demonstration Phase - Completed**

A Pre-Commercial Demonstration Facility (PCD) demonstrated ISG at the Telford Basin of the Leigh Creek Coalfield. The series of controlled tests provided environmental and gas quality data to inform regulators and stakeholders that the process can be managed safely with minimal impact to the environment. The findings have helped to determine the Commercial Project design and feasibility study direction.

## **Commercial Phase - In Progress**

Conduct engineering and feasibility studies to support Demonstration Phase data for the deployment of a commercial operation. LCK's chosen option is the development of a large-scale urea fertiliser plant.

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

The information from the PCD is being used in LCK's feasibility studies for the commercial phase of the project.





## LCEP facts

### ISG Process

Is a proven process that converts stranded underground coal to syngas, containing hydrogen, methane, carbon monoxide, other gases and condensate.

### Syngas

Processed into hydrogen to ammonia and/or urea.

### LCK Reserves

Larger 2P reserve than the Otway, Bass, Gunnedah, Clarence-Moreton, Sydney and Galilee Basins combined.<sup>(1)</sup>

### Infrastructure

Power, road, rail, airport, suitable geology, and fair and diligent regulatory process.

<sup>1</sup> Australian Competition & Consumer Commission analysis of data obtained from gas producers.

## *Diversified Oil & Gas Activities*

In addition to our flagship Leigh Creek Energy Project, the Company has diversified its portfolio into other oil & gas activities, focussing on operations in the Cooper Basin. The Cooper Basin was selected as it provides us with a low cost of entry, low risk and near term revenue as well as a favourable and stable regulator in the South Australian and Queensland governments.

Our initial activity was to execute a Farm-in Agreement with Bridgeport Energy (QLD) Pty Limited as operator of ATP 2023 and ATP 2024. These permits are 10km north of the Jackson Field, Australia's largest onshore oil field and are largely under-explored, providing opportunities for multiple conventional oil and gas plays. They are located close to infrastructure, minimising potential future tie-in and operational costs. It is expected that the 3D seismic surveys to be acquired in Permit Year 2 will mature the currently identified prospects and leads to drillable targets.

Following on from this, we were successful in bidding for two Petroleum Exploration Licence Applications (PELAs) in the recent South Australian Cooper Basin Acreage Release.

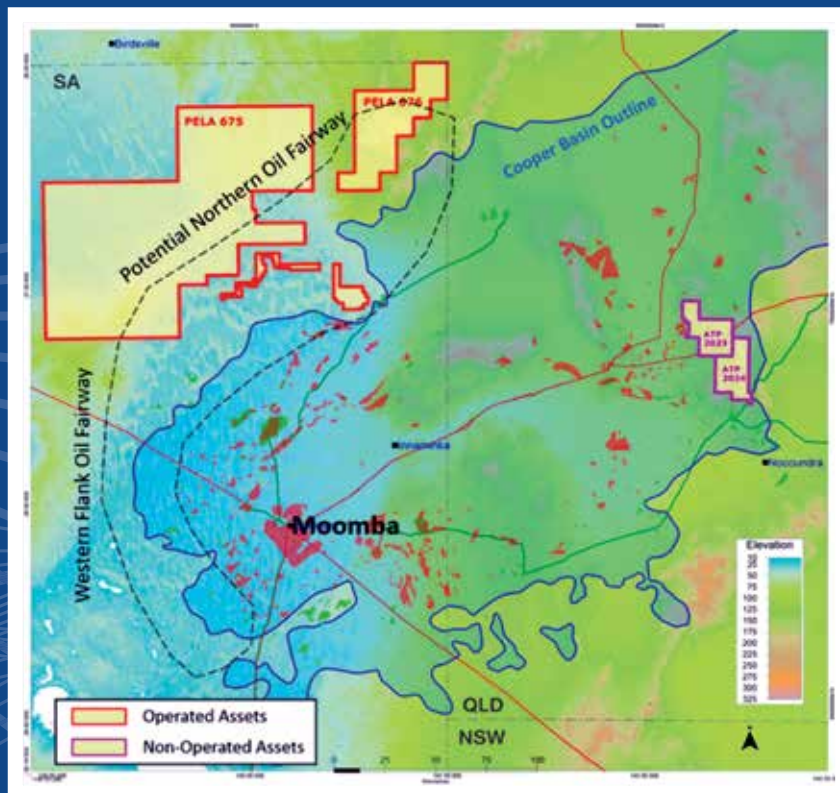
PELA 675 and PELA 676 are both proximal to historic hydrocarbon discoveries. Both contain 2D seismic and the 3D seismic in the southern part of PELA 676 has been used to identify leads in the potential Northern Oil Fairway.

The next stage is to enter into Native Title agreements prior to being awarding the Petroleum Exploration Licences.

We will be looking to farm down a portion of the SA permits once we have identified drillable prospects.



## *LCEP Cooper Basin portfolio*



# ***Environmental Social Governance (ESG)***

## *Summary*

Our ESG commitment is at the core of who we are and what we do.

Our work methods focus on creating a positive lasting legacy for the communities we work with, the environment we all live in and for our shareholders who support our project.

We are proud of our stakeholder engagement activities in particular our commitment to community support, upholding the highest standards of environmental monitoring and a strong corporate governance culture.

Further, you will find our approach to ESG is integrated in all that we do, including our top three ESG priorities:

- Carbon neutral by 2030
- Strong Safety and Environmental performance
- Sound governance.

LCK is committed to what we believe are our top three ESG priorities, and will continue to work in ensuring proactive strategies are set out with clear targets set, measured and reported on.



## Our Values

### *Integrity*

We are trustworthy and honourable in all our interactions.

### *Teamwork*

We work together with trust, respect and a sense of collective purpose.

### *Courage*

We act with strength of character, both in the courage of our convictions and in our intellectual courage.

### *Loyalty*

We are committed to each other, our leaders and the organisation.

### *Professionalism*

We strive for excellence in everything we do.

## ESG – Our shared approach

Our Purpose is to develop responsible energy projects using innovative techniques leaving an enduring positive legacy.

Our ESG priorities are grounded in our long-term business strategy and account for macro-economic, social and environmental trends. These priorities are where we see the most opportunity for shared value. Our approach to ESG topics are rooted in our companies purpose.

To minimise the impact on the environments we work within:

- Ensure the safety and livelihoods of all staff
- Develop ethical supply chains
- Work towards eliminating emissions.



# Environmental highlights

## Our Commitment

Leigh Creek Energy recognises the importance of environmental management to the success of the company's operations.

Leigh Creek Energy is committed to the principles of environmental management as outlined by the Environment Institute of Australia and New Zealand, and aims to:

- Implement the principles of ecologically sustainable development with a balance of social, economic and environmental values
- Achieve legislative compliance
- Conserve resources
- Prevent pollution and eliminate or reduce waste
- Protect ecological systems and landscapes, and conserve species and genetic biodiversity
- Protect cultural heritage, including both Indigenous and built heritage
- Undertake informed and transparent decision-making
- Ensure continuous improvement.

## Climate Change

Leigh Creek Energy recognises the importance of managing our emissions to ensure the success of our company's operations.

Leigh Creek Energy acknowledges the findings of the Intergovernmental Panel on Climate Change (IPCC) assessment of climate change science and that the human influence is clear and that impacts are unavoidable.

We will:

- Accept our responsibility and where possible act to reduce our emissions in all areas of our operations
- Research, support and actively pursue new technologies to minimise our impact on the climate
- Set our goals in accordance with possibilities and actively seek to exceed legislative requirements
- Evaluate emissions reduction opportunities across our operations
- Work towards our objective of becoming carbon neutral by 2030.



## Environmental highlights

### Carbon Neutral by 2030

The use of ISG linked with carbon capture, usage and storage (CCUS) technology, provides a clean technology that can produce hydrogen, ammonia or urea at commercial scale.

As the production of urea will consume a significant amounts of the CO<sub>2</sub> produced LCK is on target to largely achieve this goal.

LCK has commenced preliminary investigation into the how to remove the excess CO<sub>2</sub> not used throughout the production of urea by the following means:

- Revegetation
- Renewables (pumped hydro, thermal power, solar, etc)
- Capture the CO<sub>2</sub> and store it underground (Geosequestration).

### Initial Investigations underway in 2019/20

#### Flora and fauna

Throughout the year the team completed a detailed survey of the regional flora and fauna. LCK will incorporate this data from the survey into the upstream development Operation Environmental Impact statement;

The work from this survey will assist in future studies that will support Leigh Creeks efforts in the conservation and protection of any potential vulnerable or endangered species.

#### Carbon Neutral program

LCK have commenced studies into the potential avenues as outlined in our aim of becoming carbon neutral by 2030. These studies include:

- Carbon offset through local flora, initial discussion with local research institutions have commenced, with further work to be completed in the coming year
- Carbon capture and sequestration through underground storage, planning for this investigation is at early discussion stage, this will be progressed further through the upstream development plan.



Significantly reduces LCK's carbon footprint



## Environmental highlights

### Completion of Environmental Monitoring Program

Following completion and shutdown of the PCD, the conclusion of the first 12 months environmental monitoring confirms our capability to manage ISG within the environmental boundaries approved in accordance with the Statement of Environmental Objectives (SEO) required under the Petroleum and Geothermal Energy Act 2000. The first 12 months of site monitoring Completed after PCD operations resulted in:

- No groundwater contamination issues
- No air quality issues
- No subsurface subsidence.



## Social

### Safety

In line with our company values, our first priority in the workplace is to protect the health and wellbeing of all of our people and the communities we work in.

Our goal of continuous improvement in all areas of safety is one we are proud of and continue to be focused on, this year results once again demonstrated our strong focus on safety through our people practices.

We have a strong approach to safety and are proud of the fact that it is tailored to the geographical location, production processes and the diversity of our workforce. The behavioral based safety approach is one we have worked hard on, we look forward to

reporting in future years of the development of newly developed practices and safety programs, remembering that it's our people that make them successful.

Our exceptional safety record is without a doubt a result of the strong site leadership and proactive safety culture across the entire team. We are extremely proud of this result and as we move towards the commercial phase every single person will continue to strive for safety excellence.

#### 2019 – 2020 Safety Stats

- Zero fatalities
- Lost time injury frequency rate = 0
- Total recordable injury frequency rate = 0





## Social

### Mental Health

We believe that mental health is an important matter across our industry and as such the team have worked tirelessly at initiating difficult conversations surrounding mental health.

To assist our remote workers the leadership group implemented the 4 rules of remote staff engagement:

- Connection, make time for the everyone
- Set clear goals
- Finds ways to give praise
- Advocate accountability

Little did we know that this staff engagement process would become a tool to be used by all workers as COVID-19 hit. Isolation became a major contributor in discussions across all teams with the COVID-19 lockdowns and life as we knew it changed. Early identification allowed a support framework to be implemented and new and agile ways of remote communication assisted in staff wellbeing.

As we entered COVID-19 lockdown these remote rules of engagement became the norm for all staff whether working on site or from home.

A pulse survey identified that strong leadership was prevalent, with staff feeling supported and connected. This model of behavioural engagement has now become the cultural norm for LCK leaders.

These embedded rules have assisted people speak up and pick up on out of character behaviours early with plans to assist before times became too difficult.

We continue to work with our teams to ensure more is done in this area of safety and wellbeing.



## Social: Sponsorship Highlights

It is important for LCK to provide a positive legacy once the project is complete for future generations to benefit from. As part of that commitment we are proud to work and support our communities in ways that benefit them.

Some highlights for us this past year are displayed below:

- Continued funding of Leigh Creek medical services and Leigh Creek Doctor
- Major sponsors of North Moolooloo Golf day
- Major sponsors of SA Outback Netball team
- Flindersfest – Hawker Festival
- Zoo visit for students of Leigh Creek and Hawker primary schools.



*LCK's Sponsorship Coordinator Tammie Salvemini meeting the students of Leigh Creek and Hawker at the Adelaide Zoo.*

### SA Outback Netball Team

LCK was honoured to support the SA Outback Netball team by supplying the teams netball uniforms for the 45 girls. The National Indigenous Netball championships was held in the Gold Coast. We worked alongside members of the SA Outback committee to produce an amazing piece of storytelling artwork for their uniforms. It is great to see the confidence and self-esteem in the group photo and receive a report from the club on the progress, character building and new friendships made during the carnival. Tammie Salvemini, LCK's Sponsorship coordinator said, 'after months of seeing the amazing artwork evolve it was a privilege to see our General Manager - Commercial Richard hand over the uniforms to some very grateful team members'.



*LCK's General Manager – Commercial Richard Peasgood with Taeylah & Teraleyha Coulthard during hand over of uniforms.*





## Social: Sponsorship Highlights

### Leigh Creek Doctor services

Despite many changes and struggles Leigh Creek has faced, a high-quality medical service is a constant the community can rely on.

Doctor Clive Hume is a staple in Leigh Creek and the surrounding region, visiting the town once a week for over 30 years, opening the local clinic and pharmacy for appointments and check-ups.

However, there is a significant threat of the town and region losing access to its only Doctor during 2019/2020 without financial support.

To ease the pain, Doctor visits and pharmacy services have remained operating thanks to Leigh Creek Energy who have continued to sponsor his contribution to Leigh Creek and the surrounding communities.

The company continues to support Doctor Hume and his team.



*Leigh Creek Energy sponsors the Leigh Creek Doctor services, Dr Clive Hume (right) and LCK's Site Manager, Peter Case.*

### North Moolooloo Golf Day

The 11th biennial North Moolooloo Golf Classic was once again run in October 2019 and LCK was proud to be a major sponsor to help run this event which raises money for the Royal Flying Doctor Service (RFDS).

The Classic has been run successfully over the past three decades by North Moolooloo Station owner and manager Ian Ferguson. With such a unique location and laidback nature of the bush event, the Classic has been a staple for pastoralists all over northern South Australia, with some entrants travelling thousands of kilometers every two years to attend the event.





## Governance Highlights

The LCK Board is comprised of individuals whom we believe collectively provide an appropriate balance of distinguished leadership, diverse perspectives, strategic skill sets and professional experience relevant to our business and strategic objectives. Our Board has one primary standing committee, the Audit and Risk Committee, which reviews and advises the board of management on LCK initiatives, results and targets. In FY2019/20, the committee met three times.



### Financial Governance

The company is required to operate within the confines laid down by several controlling bodies. These include but are not limited to the following:

- Australian Stock Exchange (ASX)
- Australian Securities and Investments Commission (ASIC)
- Australian Accounting Standards Board (AASB)
- Australian Taxation Office (ATO)

The company is appropriately audited by professional bodies against these standards and The Board is ultimately responsible for compliance.

### Document Control Program

- A full review was undertaken on the internal and external document control process of LCK
- This review resulted in the development of several new processes.

### Safety Audit program

- An internal safety audit program was developed, implemented during this period with detailed cross checking and data capture company wide, this assisted teams identify weaknesses in current work practices and processes and increased accountability and ownership.



# Tenement Schedule

## Petroleum and Mineral Tenement Schedule

Tenement	Percentage Interest	Grant Date	Location
Petroleum Exploration Licence 650	100%	18 November 2014	Leigh Creek, SA
Petroleum Exploration Licence Application 582	100%	Application Approved	Finniss Springs, SA
Petroleum Exploration Licence Application 643	100%	Application Approved	Callabonna, SA
Petroleum Exploration Licence Application 644	100%	Application Approved	Roxby Downs, SA
Petroleum Exploration Licence Application 647	100%	Application Approved	Leigh Creek, SA
Petroleum Exploration Licence Application 649	100%	Application Approved	Oakdale, SA
Petroleum Exploration Licence Application 675	100%	Application Approved	Cooper Basin, SA
Petroleum Exploration Licence Application 676	100%	Application Approved	Cooper Basin, SA
Petroleum Retention Licence 247	100%	5 June 2020	Leigh Creek, SA
Petroleum Production Licence Application 269	100%	Awaiting Approval	Leigh Creek, SA
Gas Storage Exploration Licence 662	100%	5 February 2016	Leigh Creek, SA
Authority to Prospect 2023	0%	8 April 2020	Cooper Basin, SA
Authority to Prospect 2024	0%	8 April 2020	Cooper Basin, SA

In the last 12 month period, LCK has acquired a Petroleum Retention Licence (PRL 247) within the Leigh Creek Project area, to progress the work program for the Leigh Creek Project, and is in the process to acquire a Petroleum Production Licence Application (PPLA 269). LCK was also successful for 2 PELA's within the South Australian Cooper Basin following acreage release (PELA 675 and PELA 676). LCK also entered into a farm-in agreement to look for conventional oil and gas targets in Queensland (ATP 2023 and ATP 2024).

## PEL 650 ISG suitable Coal Resource Analysis

Seam	Working section	Resource Category	Tonnage (mt)	Thickness (m)	Relative Density (g/cc ad)	Raw Ash (%ad)	Total Moisture (%ad)
FGH	FG	Indicated	9.1	10.74	1.62	37.68	22.99
	FH	Indicated	28.9	20.86	1.69	43.00	22.53
	G	Indicated	7.7	5.29	1.65	40.74	23.37
I	I	Indicated	22.7	5.78	1.67	40.94	23.37
	I1	Indicated	1.0	2.36	1.43	17.66	29.05
K	K	Indicated	14.8	7.01	1.69	42.50	22.56
	K12	Indicated	4.6	5.78	1.66	40.00	22.22
	K2	Indicated	4.8	3.15	1.60	36.36	24.29
Q	Q	Indicated	93.0	12.08	1.45	18.11	26.88
	Q	Inferred	73.4	9.24	1.44	17.88	26.82
V	V	Inferred	34.0	5.29	1.67	40.75	22.67
	V1	Inferred	1.0	2.41	1.48	22.23	23.55
W	W	Inferred	6.2	7.37	1.76	49.80	21.06
<b>ISG Project Total</b>			<b>301.2</b>	<b>8.41</b>	<b>1.54</b>	<b>28.73</b>	<b>24.94</b>

## Coal and Gas Resources

The Company's Coal Resource and equivalent Syngas Resource as at 30 June 2019, reported in accordance with 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) guidelines and the 2018 Society of Petroleum Engineers (SPE) Petroleum Resources Management System (PRMS) guidelines (respectively), are:

Tenement	Location	Coal Resource Category	Coal Resources (Mt) 2019	Coal Resources (Mt) 2020	Syngas Resource Classification	Syngas Energy (PJ) 2019	Syngas Energy (PJ) 2020
Petroleum Exploration Licence 650 and Petroleum Retention Licence 247	Leigh Creek	Indicated	186.6	186.6	1P Reserves	–	–
		Inferred	114.6	114.6	2P Reserves	1,153.2	1,153.2
					3P Reserves	1,608.3	1,608.3
					1C Resources	–	–
					2C Resources	1,469.0	1,469.0
					3C Resources	2,126.6	2,126.6

## Mineral Resource and Syngas Resource Governance and Disclosures

Mineral Resources estimated in accordance with the requirements of the JORC Code, by qualified competent persons who are consultants to Leigh Creek Energy.

Syngas Resources are estimated in accordance with the requirements of the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, by a qualified petroleum reserves and resources evaluator who is a consultant to Leigh Creek Energy.

The Minerals Resources in the 2020 Annual Report is compiled and reviewed by a qualified competent person, as detailed below. The Syngas Resource Statement in the 2020 Annual Report is reviewed by a qualified consultant, who is a qualified petroleum reserves and resource evaluator.

Notes on Coal Resources: For the purposes of ASX Listing Rule 5.23, Leigh Creek Energy confirms that it is not aware of any new information or data that materially affects the information included in the 18 March 2019 Resources Statement and that all material assumptions and technical parameters underpinning the estimates in the Resources Statement continue to apply and have not materially changed.

The coal resources reported herein, insofar as they relate to mineralisation, are based on information compiled from the 18 March 2019 Resource Statement, by Mr John Centofanti. Mr Centofanti is a competent person and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Centofanti is a full-time employee of Leigh Creek Energy and has 16 years' relevant experience in coal, which includes 7 years' experience as a competent person for estimating and reporting coal resources. Mr Centofanti consents to the

inclusion in the report, of coal resource estimates, based on his compiled information in the form and context in which it appears.

The coal resource is based on, and fairly represents, information and supporting documentation prepared for the 18 March 2019 Resources Statement, which was estimated by Warwick Smyth & Lynne Banwell of GeoConsult Pty Ltd. Mr Smyth is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, who has more than 25 years' experience in the field of activity being reported. Lynne Banwell is a member of the Australasian Institute of Mining and Metallurgy and the Geological Society of Australia and has over 30 years' experience in this style of mineralisation. Both Mr Smyth and Mrs Banwell have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves".

Notes of Gas Resources: For the purposes of ASX Listing Rule 5.43, Leigh Creek Energy confirms that it is not aware of any new information or data that materially affects the information included in the 29 March 2019 PRMS ISG Gas Reserve and Resources Certification and that all material assumptions and technical parameters underpinning the estimates in the PRMS certification continue to apply and have not materially changed.

The Gas Resource estimates stated herein are based on, and fairly represent, information and supporting documentation prepared by Timothy Hower of MHA Petroleum Consultants LLC, 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. All estimates are based on the deterministic method for estimation of petroleum resources.







# *Directors' report*

# 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") and its controlled entities ("the Group") for the year ended 30 June 2020.

## Directors

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

Director	Appointed
Daniel Justyn Peters	(28 November 2014)
Zheng Xiaojiang	(5 December 2017)
Zhe Wang	(1 July 2017)
Phillip Staveley	(5 December 2017)
Murray Chatfield	(30 June 2016)
Gregory English	(22 September 2015)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## Information on continuing directors

### Daniel Justyn Peters

LLB, BA (Politics/Jurisprudence) GDLP

### Executive Chairman

Audit and Risk Committee Member

Director since 2014



### Experience & expertise

Mr Peters joined Linc Energy soon after its listing on the ASX when Linc Energy was considered a world leader in underground coal gasification. In his six years at Linc Energy Mr Peters held the positions of General Manager Environment and Government Relations, General Manager Business Development, Executive General Manager North Asia and finished as Executive General Manager of Investor Relations.

Prior to joining Linc Energy Mr Peters was employed as National Property and Environment Manager and head of North Asia for Airservices Australia, and prior to his time with Airservices Australia Mr Peters was employed at the Queensland Environmental Protection Authority (EPA) as head of Investigations and Compliance and as acting Director of Central and Northern Regions. He managed the integration of the environmental regulation of the Queensland Mining Industry into the EPA. His experience across a broad range of business units from both government and private sector will prove invaluable in developing the Leigh Creek Energy project.

### Other current listed directorships

None

### Previous listed directorships (last three years)

Emperor Energy Ltd – resigned 27 March 2019



**Zheng Xiaojiang** BCom**Non-Executive Director***Director since 2017***Experience & expertise**

■ Zheng is a senior finance executive and brings wide experience in the finance sector in both Australia and China. His experience includes having been a senior official for The People's Bank of China in Australia and New Zealand. Zheng was responsible for facilitating the investment in Leigh Creek Energy by China New Energy, Leigh Creek Energy's largest shareholder.

**Other current listed directorships**

■ None

**Previous listed directorships (last three years)**

■ None

**Phillip Staveley**

CPA, BA (Acc) (Hons), Dipl Btr

**Managing Director***Director since 2017***Experience & expertise**

■ Mr Staveley is a qualified Accountant who has 30 years' experience working in the resources sector.

He started his career in the oil and gas sector working for Schlumberger in London, followed by a number of years with SAGASCO and SAOG (South Australian Oil and Gas Company). He spent almost ten years with Normandy Mining Ltd. Whilst with Normandy he fulfilled a number of planning, finance, M&A and commercial roles, including the establishment of a Group Supply Function and three years based in Rio de Janeiro as the CFO of TVX Normandy Americas.

Since 1998 he has been involved in mining and contracting companies in the position of CFO and more latterly, CEO roles with an emphasis on strategy and corporate finance.

**Other current listed directorships**

■ None

**Previous listed directorships (last three years)**

■ Oakdale Resources Limited – resigned November 2017

**Zhe Wang** B.Sc (Thermal Dynamics)

M.Eng (Energy Engineering and Thermal Physics)

**Non-Executive Director***Director since 2017***Experience & expertise**

■ Zhe is a Chinese based Energy and Thermal Physics Engineer, and nominee of China New Energy Group Limited (one of Leigh Creek Energy's major shareholders). He has over 8 years Executive Management experience. Zhe also sits on the Board of Beijing Raise Mind Technology Ltd. Zhe's key areas of expertise include; Coal Combustion; Renewable Energy Applications and Steel Sinter. He has a Bachelor of Thermo Dynamics, Renewable Energy Applications as well as a Masters in Energy Engineering and Thermal Physics, Coal Combustion.

**Other current listed directorships**

■ None

**Previous listed directorships (last three years)**

■ None

**Murray K Chatfield**B Com Ag (Economics and Marketing),  
MBA, ACT, MAICD**Non-Executive Director***Audit and Risk Committee Chair**Director since 2016***Experience & expertise**

■ Mr Chatfield has extensive experience within finance with nearly 30 years' experience within investment banking, hedge funds and corporate finance both in Australia and internationally. He was a senior Economist with the New Zealand government before joining Bankers Trust in London. He then moved into Hedge Funds initially as European Treasurer and then as a Partner and COO in a Relative Value Hedge Fund. He was the COO and Partner in an Australian based fund focussed on Global Macro events. He has been and is still, actively involved as a Director of several unlisted companies in the Commodity and Marketing areas. Mr Chatfield's career covers finance, treasury, accounting, operational efficiency, risk management (business, market, tax and regulatory), legal and regulatory compliance and direct financial market interaction.

**Other current listed directorships**

■ None

**Previous listed directorships (last three years)**

■ None

**Gregory D English** LLB, B.Eng (Mining)

**Non-Executive Director**

*Audit and Risk Committee Member*

*Director since 2015*



**Experience & expertise**

■ Mr English is an experienced and qualified mining engineer and lawyer with over 25 years of involvement in the resources industry. As a mining engineer he has worked on underground and open pit coal mines, including working as a mining engineer at the Leigh Creek Coalfield where he lived in the Leigh Creek town. As a lawyer Greg has acted for numerous oil and gas companies and advised on numerous gas marketing, gas transportation and similar transactions.

Greg's experience in the coal industry, and in particular his knowledge of the Leigh Creek Coalfield, and experience and contacts in the oil and gas industry is a significant asset to the Company.

**Other current listed directorships**

■ Archer Exploration Limited and Core Exploration Limited

**Previous listed directorships (last three years)**

■ None

**Jordan Mehrtens** LLB/LP, BCom (Fin),

GDip (Planning)

**Company Secretary**

*Secretary since 2015*



**Experience & expertise**

■ Jordan Mehrtens is a qualified lawyer, and has other qualifications in finance and urban and regional planning. Jordan has worked with Leigh Creek Energy since its commencement, providing regulatory, compliance and other analytical advice. Jordan is a member of the Governance Institute of Australia and performs the secretarial role in the Company. Jordan has been the Company Secretary of Leigh Creek Energy Limited since 2015.

■ Damien Connor is a Chartered Accountant, Graduate of AICD and a member of the Governance Institute of Australia. Damien was appointed joint Company Secretary on April 14 2020 to assist whilst Jordan was on leave.

**Principal activities**

The principal activity of the Group was advancing the development of its Leigh Creek Energy Project (LCEP), and developing conventional oil and Gas projects.

**Review of operations and financial results**

**Leigh Creek Energy Project:**

The Company continued its progress towards full regulatory approval following the successful operation and decommissioning of the Pre-Commercial Demonstration Facility (PCD) at the LCEP last year.

The Company received the following approvals during the year from the Department for Energy and Mining:

- The Statement of Environmental Objectives (SEO) for geophysical operations across PEL 650;
- The SEO for exploration drilling operations; and
- The Petroleum Retention Licence (PRL) over part of PEL 650.

The Company submitted its application for a Petroleum Production Licence (PPL) which was gazetted on 7th July 2020.

The Company also entered into a Farm In Agreement with Bridgeport Energy (QLD) Pty Ltd for two Queensland Cooper Basin Authority to Prospect permits (ATP 2023 & ATP 2024) in February 2020.

The Company was also awarded two South Australia Cooper Basin Petroleum Exploration Licence Applications (PELA 675 & PELA 676) in July 2020.

**Finance and Corporate:**

The consolidated operating loss of the financial year to 30 June 2020 was \$7,154,941 (2019: \$9,534,857). Expenditure incurred on the LCEP capitalised as Exploration expenditure, net of 2019/20 R&D tax offset rebates receivable was \$2,195,144 (2019: \$8,625,766).

The Company has a limited working capital facility with the Commonwealth Bank of Australia (CBA) to bring forward access to refundable R&D tax concessions (refer Note 10 for Borrowings). This has provided Leigh Creek Energy with the flexibility to bring forward its tax offsets by providing a draw down on eligible expenditure and for CBA to be repaid from the company's taxation return rebate. In December 2019 the Company received \$6.4m as an ATO rebate for eligible expenditure. The facility was then reduced down from \$4m to \$1.5m for the 2019/20 year. The facility was then further reduced to \$750k in April 2020 for the 2019/20 year in response to further reduced operational spend due to the impacts of COVID-19. A total of \$360,000 was drawn under the extended facility as at 30 June 2020.

In August 2019, the Company completed a \$3.2m non-brokered capital raising to institutional, sophisticated and professional investors at a price of \$0.225 per ordinary share. On 6 August 2019 the Company issued 14,322,222 new ordinary shares in accordance with this raise.

On 13 August 2019 it was announced the Company had signed a binding Heads of Agreement with China New Energy to commence ISG in China with a focus on hydrogen and fertiliser production. The Company was also invited to apply for admission as a member of the Shanghai International Energy Exchange by China Lian Cai Petroleum Investment Holdings Limited, a shareholder of the exchange.

In March 2020, the Company completed a \$1.6m non-brokered capital raising to institutional, sophisticated and professional investors at a price of \$0.091 per ordinary share. In connection with this raise the Company also issued 5,494,505 unlisted options with an exercise price of \$0.1365, and 5,494,505 unlisted options with an exercise price of \$0.182 all with an expiry date of 16 March 2023. On 20 March 2020, the Company issued 16,978,021 new ordinary shares in accordance with this raise.

On 14 April 2020, the Company announced cash saving strategies as part of managements response to the COVID-19 pandemic. The single largest of these savings was an initiative whereby employees, including the Executive Directors, have accepted a reduction to their salary by up to 50% and Non-Executive Directors elected to forgo their director fees, for up to 6 months from 1 April 2020.

Foregone salary and fees are to be paid in equity in a timely and appropriate manner (see Note 13). The salary restrictions were released at the end of June for employees and from August for Executive and Non-Executive Directors.

In June 2020, the Company completed a Share Purchase Plan, offering eligible shareholders the opportunity to purchase up to \$30,000 of shares at \$0.076 per share. On 22 June the Company issued 54,194,628 new ordinary shares in accordance with the Share Purchase Plan and raised \$4.1m. The Company then undertook a placement to institutional, professional and sophisticated investors, to raise a further \$1.5m at a purchase price of \$0.076 per share. On 30 June 2020 the Company issued 19,736,843 new ordinary shares in accordance with this raise.

**Dividends**

The Directors do not recommend the payment of a dividend and no amount has been paid or declared since the end of the previous financial year.

**Significant changes in state of affairs**

No significant change in the state of affairs of the Group occurred during the financial year, other than as already referred to in this report.

**Likely developments, prospects and business strategies**

The Company continues to progress its commercialisation plans and is in negotiation with several strategic partners.

**After reporting date events**

On 22 July 2020 the Board resolved to issue up to 10,000,000 employee options under the terms of the ESOP to eligible staff as part of an annual reward and recognition process. On the 19th of August, 8,700,000 of these options were issued.



## Meetings of Directors

During the financial year, the number of meetings held at which a director was eligible to attend and the number actually attended by each director were:

Director	Board meetings		Audit & Risk Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended
D J Peters	10	10	3	3
P J Staveley	10	10	3	3
G D English	10	10	3	3
M K Chatfield	10	10	3	3
Z Wang	10	9	-	-
Z Xiaojiang	10	10	-	-

## Unlisted options

Unissued ordinary shares of Leigh Creek Energy Limited under option at the date of this report are:

Grant date	Date of expiry	Exercise price	No. under Option
14 October 2015	14 October 2020	\$0.25	1,000,000
1 December 2015	30 November 2020	\$0.30	5,556,000
11 July 2016	30 November 2020	\$0.49	27,500
15 July 2016	8 May 2021	\$0.30	800,000
4 October 2016	10 October 2021	\$0.35	2,000,000
4 October 2016	10 October 2021	\$0.45	2,000,000
10 July 2017	30 November 2020	\$0.30	40,000
17 July 2018	16 July 2022	\$0.25	5,790,000
18 April 2018	17 April 2023	\$0.35	5,000,000
4 July 2018	3 July 2022	\$0.25	5,000,000
1 November 2018	31 October 2021	\$0.20	1,500,000
1 November 2018	31 October 2021	\$0.22	1,500,000
1 November 2018	31 October 2021	\$0.24	1,500,000
1 November 2018	31 October 2021	\$0.26	1,500,000
11 February 2019	31 December 2020	\$0.25	4,000,000
17 December 2019	12 December 2023	\$0.23	8,400,000
17 March 2020	16 March 2023	\$0.14	5,494,505
17 March 2020	16 March 2023	\$0.18	5,494,505
19 May 2020	15 April 2025	\$0.00	64,747
15 June 2020	15 April 2025	\$0.00	458,734
30 June 2020	18 June 2023	\$0.11	5,000,000
16 July 2020	15 April 2025	\$0.00	597,021
19 August 2020	18 August 2024	\$0.12	8,700,000
<b>Total</b>			<b>71,423,012</b>

Options forfeited or expired during the period up to and including the date of this report include 2,250,000 and 3,030,000 options respectively.

Options granted during the period up to and including the date of this report to employees and consultants include 20,796,231 all with different expiry dates listed below.

Grant date	Date of expiry	Exercise price	No. under Option	Number Options Exercised	Number Options Forfeited	Number Options On issue
17 December 2019	12 December 2023	\$0.23	8,600,000	-	(200,000)	8,400,000
17 April 2020	15 April 2025	\$0.00	974,817	(974,817)	-	-
19 May 2020	15 April 2025	\$0.00	973,688	(908,941)	-	64,747
15 June 2020	15 April 2025	\$0.00	950,705	(491,971)	-	458,734
16 July 2020	15 April 2025	\$0.00	597,021	-	-	597,021
19 August 2020	18 August 2020	\$0.12	8,700,000	-	-	8,700,000

During the year ended 30 June 2020, and to the date of this report 2,483,035 shares of Leigh Creek Energy Limited were issued on the exercise of options.

None of the options on issue entitles the holders to participate, by virtue of the options, in any dividend or share issue of the Company.

#### *Environmental legislation*

The Company and its subsidiaries in ISG and oil and gas operations are subject to environmental regulation under the legislation of the respective states and territories in which it operates. Approvals, licences, hearings and other regulatory requirements are performed by the Company and its operators for each permit or lease in which the Company participates. The Company is potentially liable for any environmental damage from its activities, the extent of which cannot presently be quantified and would in any event be reduced by the insurance carried by the Company. The Company applies the expertise of its personnel to develop strategies to identify and mitigate environmental risks. Compliance by employees, contractors and operators with environmental regulations is governed by agreements and is otherwise conducted using industry best practices. The Board actively monitors compliance with Regulations and joint operational obligations and at the date of this report is not aware of any material breaches in respect of these Regulations and obligations. No notification of any breach of any environmental regulation has been received in respect of any of the Company's exploration activities during the year.

#### *Indemnities given to, and insurance premiums paid for, officers*

During the year, the company paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors. The liabilities insured are legal costs that may be incurred in defending civil or criminal

proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer.

#### *Indemnity of auditors*

The Group has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, to the extent permitted by law, against any claim by a third party arising from the Group's breach of its agreement. The indemnity requires the Group to meet the full amount of any such liabilities including a reasonable amount of legal costs.

#### *Auditor's independence declaration*

The Auditor's Independence Declaration for the year ended 30 June 2020 can be found on page 42 and forms part of the Directors' Report.

#### *Proceedings on behalf of the Company*

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

# Remuneration report - audited

## 1. Principles used to determine the nature and amount of remuneration

The remuneration policy is designed to align the objectives of the Key Management Personnel with shareholder and business objectives by providing a fixed remuneration package to non-executive Directors and time based remuneration to Executive Directors. The Board of Leigh Creek Energy believes the policy to be appropriate and effective in attracting and retaining the best Directors and Executives to manage and direct the Group, as well as create goal congruence between Directors, Executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of board members and other Key Management Personnel of the Company is as follows.

The Company's Constitution specifies that the total amount of remuneration of non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive Directors has been set at \$750,000 per annum (as approved by shareholders on 22 August 2018). Directors may apportion any amount up to this maximum amount amongst the non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives but they may receive options or bonus payments subject to shareholder approval and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term, objective of maximising shareholder benefits through the retention of high quality personnel.

The Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan, approved by shareholders, that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success for the Company and to maximise the long term performance of the Company, and can also be used as a reward for performance.

As the Company is developing an energy asset which is not yet in production, in the opinion of the Board, the Company's earnings and the consequences of the Company's performance on shareholder wealth are not related to the Company's remuneration policy.

## Voting at 2019 AGM

Of the total valid available votes lodged, Leigh Creek Energy received 95.11% "yes" votes on its remuneration report for the 2019 financial year with the motion carried unanimously on a show of hands as an ordinary resolution. The Company did not receive any specific feedback at the AGM on its remuneration practices.

## Use of remuneration consultants

The Company has not engaged and sought benchmarking advice from remuneration consultants. The *Corporations Act 2001* requires companies to disclose specific details regarding the use of remuneration consultants. The mandatory disclosure requirements only apply to those advisors who provide a "remuneration recommendation" as defined in the *Corporations Act 2001*. The Board did not receive any remuneration recommendations during the reporting period.



## 2. Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (KMP) of the Group are shown in the table below:

Year	Short-term benefits				Long term benefits	Post-employment benefits		Share-based payments		Performance based on % of remuneration	
	Directors fees	Salary & wages	Other	Non-monetary benefits <sup>1</sup>	Super contributions	Long service leave	Termination benefits	Options <sup>2</sup>	Total		
Executive Directors											
D J Peters	2020	-	305,893	(37,292) <sup>3</sup>	649	24,979	25,000	-	23,850	343,078	(11%)
	2019	-	325,130	105,095 <sup>3</sup>	3,713	-	20,155	-	190,404	644,497	46%
P J Staveley	2020	-	335,427	(35,339) <sup>3</sup>	-	26,893	25,000	-	45,500	397,481	(9%)
	2019	-	374,930	99,592 <sup>3</sup>	-	-	19,555	-	190,404	684,481	42%
Non Executive Directors											
G D English	2020	37,500	-	-	-	-	4,750	-	12,500	54,750	-
	2019	50,000	-	-	-	-	4,750	-	-	54,750	-
M Chatfield	2020	37,500	-	-	-	-	4,750	-	12,500	54,750	-
	2019	50,000	-	-	-	-	4,750	-	-	54,750	-
Z Wang	2020	41,063	-	-	-	-	-	-	12,500	53,563	-
	2019	54,750	-	-	-	-	-	-	-	54,750	-
Z Xiaojiang	2020	37,500	-	201,250 <sup>4</sup>	-	-	4,750	-	41,250	284,750	-
	2019	50,000	-	210,833	-	-	4,750	-	-	265,583	-
Other Key Management Personnel											
J Haines <sup>5</sup>	2020	-	-	-	-	-	-	-	-	-	-
	2019	-	472,208	-	1,003	-	20,985	22,431	30,913	547,540	51%
M Terry <sup>6</sup>	2020	-	-	-	-	-	-	-	-	-	-
	2019	-	34,680	-	-	-	3,641	3,833	30,913	73,067	42%
Total	2020	153,563	641,320	128,619	649	51,872	64,250	-	148,100	1,188,371	
	2019	204,750	1,206,948	415,520	4,716	-	78,586	26,264	442,634	2,379,418	

### Notes

<sup>1</sup> Non-monetary benefits include benefits provided to the KMP on which Fringe Benefits tax is paid.

<sup>2</sup> In accordance with the Accounting Standards, remuneration includes a proportion of the fair value of the options granted or proposed during the year. The notional value of options is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not indicative of the benefit (if any) that the employee may ultimately realise should the option vest. The notional value of the options as at the issue date has been determined in accordance with the accounting policy Employee Remuneration Note 11. Options proposed for issue during the period represent fees and salary foregone by KMP in response to COVID-19 cash containment strategy.

<sup>3</sup> Shares were granted to D Peters and P Staveley in FY19. The remuneration was approved by shareholders on 21 November 2019 at the Annual General Meeting. Under accounting rules, the shares were expensed in FY19, \$105,095 and \$99,592 respectively, based on the provisional grant date, with the fair value of proposed adjusted expense at issue date recognised in FY20, (\$37,292) and (\$35,339), resulting in a net expense of \$67,803 and \$64,253 respectively.

<sup>4</sup> Mr Xiaojiang provided consulting services during the year.

<sup>5</sup> Mr Haines resigned effective 5 April 2019.

<sup>6</sup> Mr Terry resigned effective 17 August 2018.

### 3. Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreement relating to remuneration are set out below:

Employee	Base salary	Term of agreement	Notice period
D J Peters	\$354,570	Ongoing	6 months
P J Staveley	\$394,710	Ongoing	6 months

#### Note

<sup>1</sup> Service agreements are presented as at 30 June 2020.

### 4. Share-based remuneration

Unlisted options are granted to Directors and Key Management Personnel as part of their remuneration. The options are not granted subject to performance criteria but are issued to the relevant directors and Key Management Personnel of the Group to increase goal congruence between executives, directors and shareholders. All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements. No options were granted during this financial year.

Options were proposed for issue during the period which represent fees and other salary foregone by KMP in response to COVID-19 cash containment strategy and are subject to shareholder approval (Note 13).

Options issued in previous financial years that lapsed or were forfeited during the current financial year:

Name	Number of options forfeited (lapsed) during the year	Financial year in which those options were granted
Justin Haines	2,000,000	2016

## 5. Other information

### Number of Options held by Key Management Personnel

The number of options to acquire ordinary shares in the Company held during the 2020 reporting period by each of the Group's Key Management Personnel, including their related parties, is set out below:

Name	Balance at start of year	Granted as remuneration	Exercised	Other changes	Closing balance	Vested and exercisable at the end of the reporting period	Vested & unexercisable at the end of the reporting period
D J Peters	3,250,000	-	-	-	3,250,000	3,250,000	-
P J Staveley	4,500,000	-	-	-	4,500,000	4,500,000	-
G D English	2,000,000	-	-	-	2,000,000	2,000,000	-
M Chatfield	2,000,000	-	-	-	2,000,000	2,000,000	-
Z Wang	2,000,000	-	-	-	2,000,000	2,000,000	-
Z Xiaojiang	2,000,000	-	-	-	2,000,000	2,000,000	-
<b>Total</b>	<b>15,750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,750,000</b>	<b>15,750,000</b>	<b>-</b>

#### Notes:

Subject to shareholder approval at the Annual General Meeting options for the salary and fees foregone by directors as part of the COVID-19 response will be issued. Under accounting rules, the unissued options were expensed in the financial year.

### Number of Shares held directly and indirectly by Key Management Personnel

Name	Balance at start of year	Granted as remuneration	Received on exercise	Other changes <sup>1</sup>	Held at the end of the reporting period
D J Peters <sup>4</sup>	7,197,671	423,770 <sup>5</sup>	-	(89,850)	7,531,591
P J Staveley	686,667	401,581 <sup>5</sup>	-	394,737 <sup>2</sup>	1,482,985
G D English	-	-	-	-	-
M Chatfield	1,596,177	-	-	65,790 <sup>2</sup>	1,661,967
Z Wang	-	-	-	-	-
Z Xiaojiang <sup>3</sup>	-	-	-	-	-
<b>Total</b>	<b>9,408,515</b>	<b>825,351</b>	<b>-</b>	<b>370,677</b>	<b>10,676,543</b>

#### Notes:

<sup>1</sup> Other changes include purchases, sales or transfers during the financial year.

<sup>2</sup> M Chatfield and P Staveley both acquired shares under the SPP in June 2020.

<sup>3</sup> Z Xiaojiang has an interest in 29,501,347 shares held by Crown Ascent Development Limited due to having a 25% interest in Crown.

<sup>4</sup> Justyn Peters close family members hold 7,531,591 shares. Mr Peters does not have any interest in these shares.

<sup>5</sup> D Peters and P Staveley were granted shares as part of their remuneration package. These shares were transferred to close family members on issue, following approval at the November 2019 Annual General Meeting.



***Loans to Key Management Personnel***

At balance date, the Group does not have any outstanding receivables relating to loans to employees or Key Management Personnel.

***Related party transactions***

During the reporting period:

Piper Alderman lawyers were paid \$151,912 (2019: \$46,255) for legal services rendered to the Group. There was \$4,527 due for payment at the end of the reporting period. Greg English is a partner at Piper Alderman lawyers;

Investment Company Services Pty Ltd were paid \$29,067 (2019: \$45,509) for providing investor relations services to the Group. There was no outstanding balance at the end of the reporting period. The party is related to Mr Peters, Executive Chairman;

During 2020, a binding heads of agreement was entered into between China New Energy and the Company. Mr Zhe Wang is an employee at China New Energy.

Zheng Xiaojiang provided consulting services during the year totalling \$201,250 (2019: \$210,833). There was \$8,883 due for payment at the end of the reporting period. Mr Xiaojiang is a non-executive director of Leigh Creek Energy.

Mr Xiaojiang is also a Director of Crown Ascent Development Limited. During the prior year, On 7 February 2019 the Company issued convertible notes with a face value of \$3m to Crown Ascent Development Limited. The issue price was \$0.12 per note, convertible into a fully paid share, with interest calculated at 12.2% per annum (to be capitalised and paid in shares at the conversion price), and early conversion required full payment of interest over the 2 year term of the notes. In April 2019, these convertible notes were converted to shares resulting in an interest charge of \$1,818, 013. In addition, Crown Ascent Development Limited earned a 6% establishment fee which was paid in shares at the conversion price, worth \$397,500.

*End of Audited Remuneration Report*

## Auditor's Independence

Grant Thornton Audit Pty Ltd continues in office in accordance with Section 327 of the *Corporations Act 2001*.

The auditor has not been engaged during the year for any non-audit services which may have impaired the auditor's independence. The auditor's independence declaration for the year ended 30 June 2020 has been received and is included in this report.

Signed in accordance with a resolution of the Board.

A handwritten signature in blue ink, appearing to read 'D J Peters', is positioned above the printed name and title.

D J Peters  
Director

*Dated at Adelaide, South Australia this 28th day of August 2020*

## Corporate Governance Statement

The Board of Directors (the Board) of Leigh Creek Energy Limited (the Company) is committed to achieving and demonstrating the highest standard of Corporate Governance.

The Board guides the affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has responsibility for the overall Corporate Governance of the Company including its strategic direction, establishment of goals for its management and monitoring the achievement of those goals.

The individual Directors recognise that their primary responsibility is to the owners of the Company, its shareholders, while simultaneously having regard for the interests of all stakeholders and the broader community.

The statement outlines the Company's Corporate Governance Practices in place during the financial year. The Company's statement is made based on the ASX Corporate Governance Councils Corporate Governance Principles and Recommendations (3rd Edition).

Although the ASX Corporate Governance Council's Recommendations are not mandatory, under listing rule 4.10.3 companies are required to provide a statement disclosing the extent to which they have followed the recommendations in the reporting period, identifying any principles which have not been followed with reasons for not having done so.

The statement of revised principles and the Company's compliance with each principle are set out in the Company's website: [www.lcke.com.au](http://www.lcke.com.au)



## Directors' declaration

1. In the opinion of the Directors of Leigh Creek Energy Limited:
  - a. The consolidated financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
    - i. Giving a true and fair view of the financial position as at 30 June 2020 and of the performance of the Group for the year ended on that date; and
    - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*; and
  - b. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2020.
3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.



D J Peters  
Director

*Dated at Adelaide, South Australia this 28th day of August 2020*

# Auditors Independence Declaration



**Grant Thornton Audit Pty Ltd**  
Grant Thornton House  
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Adelaide SA 5001  
T +61 8 8372 6666

## Auditor's Independence Declaration

### To the Directors of Leigh Creek Energy Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Leigh Creek Energy Limited for the year ended 30 June 2020, I declare that, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized signature of the Grant Thornton firm, written in a light blue or purple ink.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "J L Humphrey".

J L Humphrey  
Partner – Audit & Assurance

Adelaide, 28 August 2020

ACN-130 913 594

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## *Financial information*





*Consolidated statement of profit or loss and other comprehensive income*  
for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Other income	2a	50,000	13,455
Other expenses	2b	(3,288,751)	(3,155,278)
Depreciation of property, plant and equipment		(77,677)	(59,116)
Employee benefits expense	11	(3,711,437)	(4,285,313)
<b>Operating Loss</b>		<b>(7,027,865)</b>	<b>(7,486,252)</b>
Finance income	3a	25,490	114,430
Finance costs	3b	(152,566)	(2,163,035)
<b>Loss before income tax</b>		<b>(7,154,941)</b>	<b>(9,534,857)</b>
Income tax	4	-	-
<b>Loss for the year after income tax</b>		<b>(7,154,941)</b>	<b>(9,534,857)</b>
Total other comprehensive income		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(7,154,941)</b>	<b>(9,534,857)</b>
<i>Earnings per share</i>			
		<i>Cents</i>	<i>Cents</i>
Basic (cents per share)	22	(1.26)	(2.20)
Diluted (cents per share)	22	(1.26)	(2.20)

*The accompanying notes form part of these financial statements.*

## Consolidated statement of financial position

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Assets</b>			
<i>Current</i>			
Cash and cash equivalents	5	6,814,387	2,293,943
Trade and other receivables	6	557,497	6,445,488
Prepayments		125,211	78,589
<b>Total Current Assets</b>		<b>7,497,095</b>	<b>8,818,020</b>
<i>Non-Current</i>			
Restricted cash	5	564,804	763,440
Property, plant and equipment	7	404,447	412,699
Exploration and evaluation expenditure	8	27,221,061	25,025,917
Right-of-use asset	16	245,043	-
<b>Total Non-Current Assets</b>		<b>28,435,355</b>	<b>26,202,056</b>
<b>Total Assets</b>		<b>35,932,450</b>	<b>35,020,076</b>
<b>Liabilities</b>			
<i>Current</i>			
Trade and other payables	9	477,000	767,908
Borrowings	10	450,848	3,881,105
Employee entitlements	11	476,279	517,416
Lease liabilities	16	147,864	-
<b>Total Current Liabilities</b>		<b>1,551,991</b>	<b>5,166,429</b>
<i>Non-Current</i>			
Borrowings	10	102,350	107,907
Lease liabilities	16	121,006	-
<b>Total Non-Current Liabilities</b>		<b>223,356</b>	<b>107,907</b>
<b>Total Liabilities</b>		<b>1,775,347</b>	<b>5,274,336</b>
<b>Net Assets</b>		<b>34,157,103</b>	<b>29,745,740</b>
Share capital	12	81,094,167	71,000,050
Share option reserve	13	4,053,915	2,581,728
Retained losses		(50,990,979)	(43,836,038)
<b>Total Equity</b>		<b>34,157,103</b>	<b>29,745,740</b>

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity

for the year ended 30 June 2020

	Share capital \$	Retained losses \$	Share option reserve \$	Total equity \$
<b>Balance 1 July 2019</b>	<b>71,000,050</b>	<b>(43,836,038)</b>	<b>2,581,728</b>	<b>29,745,740</b>
<i>Total comprehensive income</i>				
Total profit or (loss)	-	(7,154,941)	-	(7,154,941)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>(7,154,941)</b>	<b>-</b>	<b>(7,154,941)</b>
<i>Transactions with members in their capacity as owners:</i>				
Issued of share capital (net of costs)	10,094,117	-	-	10,094,117
Employee share based payment options	-	-	1,472,187	1,472,187
Transfer of lapsed options	-	-	-	-
<b>Total transactions with owners</b>	<b>10,094,117</b>	<b>-</b>	<b>1,472,187</b>	<b>11,566,304</b>
<b>Balance at 30 June 2020</b>	<b>81,094,167</b>	<b>(50,990,979)</b>	<b>4,053,915</b>	<b>34,157,103</b>

<b>Balance 1 July 2018</b>	<b>58,327,054</b>	<b>(34,747,560)</b>	<b>1,802,721</b>	<b>25,382,215</b>
<i>Total comprehensive income</i>				
Total profit or (loss)	-	(9,534,857)	-	(9,534,857)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>(9,534,857)</b>	<b>-</b>	<b>(9,534,857)</b>
<i>Transactions with members in their capacity as owners:</i>				
Issued of share capital (net of costs)	10,457,483	-	-	10,457,483
Shares issued on convertible note – non-cash	2,215,513	-	-	2,215,513
Employee share based payment options	-	-	1,225,386	1,225,386
Transfer of lapsed options	-	446,379	(446,379)	-
<b>Total transactions with owners</b>	<b>12,672,996</b>	<b>446,379</b>	<b>779,007</b>	<b>13,898,382</b>
<b>Balance at 30 June 2019</b>	<b>71,000,050</b>	<b>(43,836,038)</b>	<b>2,581,728</b>	<b>29,745,740</b>

The accompanying notes form part of these financial statements.



## Consolidated statement of cash flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<i>Cash flows from Operating Activities</i>			
Sundry income received		-	10,000
Cash flow boost stimulus grant income		50,000	-
Interest paid		-	-
Interest received		25,490	136,203
R&D rebates received		6,904,855	9,010,220
Payments to suppliers and employees		(6,274,061)	(5,824,137)
Changes in long-term bank deposits		198,636	(289,636)
<b>Net Cash from Operating Activities</b>	<b>18(b)</b>	<b>904,920</b>	<b>3,042,650</b>
<i>Cash flows from Investing Activities</i>			
Purchase of property, plant & equipment		(47,448)	(189,158)
Proceeds from disposal of assets		-	3,455
Capitalised exploration costs		(2,712,560)	(20,081,822)
<b>Net Cash from Investing Activities</b>		<b>(2,760,008)</b>	<b>(20,267,525)</b>
<i>Cash flow from Financing Activities</i>			
Issue of shares		10,386,283	11,290,874
Share issue transaction costs		(424,222)	(435,891)
Proceeds from borrowings		553,198	3,989,012
Payment of borrowing costs		(150,716)	(345,022)
(Repayments) of borrowings		(3,989,012)	(3,830,000)
<b>Net Cash from / (used in) Financing Activities</b>		<b>6,375,531</b>	<b>10,668,973</b>
Net change in cash and cash equivalents		4,520,443	(6,555,902)
Cash and cash equivalents, beginning of year		2,293,944	8,849,846
<b>Cash and Cash Equivalents, end of year</b>	<b>18(a)</b>	<b>6,814,387</b>	<b>2,293,944</b>

The accompanying notes form part of these financial statements.

## Summary of significant accounting policies

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

### **a. General information and statement of compliance**

The consolidated general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Leigh Creek Energy is a for-profit entity for the purposes of preparing the financial statements. The financial report has been presented in Australian dollars.

Leigh Creek Energy Limited is the Group's Ultimate Parent Company. Leigh Creek Energy Limited is a listed public company, incorporated and domiciled in Australia. The address of the registered office and its principal place of business is Level 11, 19 Grenfell Street, Adelaide SA 5000.

The consolidated financial statements for the year ended 30 June 2020 were approved and authorised for issue by the Board of Directors on 28th August 2020.

### **b. Overall considerations**

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### **c. Basis of consolidation**

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2020. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a report date of 30 June. The controlled entities are disclosed in Note 19 to the financial statements.

All inter-company balances transactions and balances between Group companies are eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

### **d. Changes in accounting policy**

#### ***New and revised standards that are effective for these financial statements***

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2019. Information on the more significant standards is presented below.

*d. Changes in accounting policy (continued)**(i) AASB 16 Leases*

AASB 16 'Leases' replaces AASB 117 'Leases' along with three Interpretations (AASB Interpretation 4 'Determining whether an Arrangement contains a Lease', AASB Interpretation 115 'Operating Leases-Incentives' and AASB Interpretation 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied as at 1 July 2019 using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straightline basis over the remaining lease term.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	\$
<b>Total operating lease commitments disclosed as at 30 June 2019</b>	<b>201,921</b>
<i>Recognition exemptions:</i>	
- Leases of low value assets	(12,530)
- Lease with remaining lease term of less than 12 months	(189,391)
Operating lease liabilities before discounting	-
Discounted using incremental borrowing rate	-
Operating lease liabilities	-
Finance lease obligations	-
<b>Total lease liabilities recognised under AASB 16 at 1 July 2019</b>	<b>-</b>

Based on the assessment by the Group, there is no cumulative effect of the initial application of AASB 16 at 1 July 2019 in accordance with the transition requirement.

*e. Impairment of Assets*

At each reporting date, the group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

*f. Segment reporting*

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and has concluded at this time that there are no separately identifiable segments.

*g. Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from the Australian Tax Office is included with other receivables in the statement of financial position.

Cash flows are presented in the cash flow statement on a GST inclusive basis.

*h. Comparative Figures*

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.



**i. Significant management judgement in applying accounting policies**

When preparing the financial statements, management undertake a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The areas involving significant estimates and assumptions are listed below:

■ *Exploration and Evaluation Expenditure*  
– Note 8

- Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.
- Research and development tax incentive income is recognised at fair value when there is reasonable assurance that the income will be received. Income from R&D tax incentive is recognised against the capitalised exploration expenditure. The expected future R&D tax incentive, for qualifying R&D expenditure for the current financial year, has been accrued and is also recognised against the capitalised exploration expenditure on the statement of financial position. It has been established that the conditions of this future R&D incentive have been met and that the expected amount of the incentive can be reliably measured

- Judgement is required to ensure that the carrying value of Exploration and Evaluation assets does not exceed the recoverable amount. Factors considered in this judgement are:

- a) the period for which the entity has the right to explore in the specific area has expired or will expire in the near future;
- b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities;
- d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. Management has made a judgement that, given these factors, the balance of Exploration and Evaluation assets is not impaired.

■ *Share based payments* – Note 13

The valuation for accounting purposes of Share Based Payments relies on a number of factors that cannot be accurately measured. These include:

- a) the volatility of the LCK share value;
- b) the probability that vesting conditions/ milestones will be met;
- c) the probability that the employee will remain employed with the company until the expiry date of the options;
- d) the probability that the employee will exercise their options. Final judgement about vesting of the options is retained by the Board. Management has assessed each of these factors and made judgements on what factors are used for the calculation.

i. *Significant management judgement in applying accounting policies (continued)*■ *Employee provisions – Note 11*

Long service leave payable later than one year has been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using high quality corporate bonds. Management requires judgement to determine key assumptions used in the calculation including future increases in salaries and wages, future on-cost rates and future settlement dates of employees' departures.

■ *Coronavirus (COVID-19) Pandemic*

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group's operation based on known information. Other than addressed in specific notes, there does not appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

2. *Other income and expenses**Accounting policy – income and expenses recognition*

Other income is recognised on an accruals basis and is recognised at the time the right to receive payment is established.

Other expenses represent costs incurred for the administration of the business. Costs relating to the project have been capitalised to Exploration and Evaluation expenditure (as shown in Note 8).

	2020 \$	2019 \$
<b>a) Other income</b>		
Cash flow boost stimulus grant income	50,000	-
Tenement option	-	10,000
Disposal of fixed assets	-	3,455
<b>Total other income</b>	<b>50,000</b>	<b>13,455</b>
<b>b) Other expenses</b>		
Accounting and audit	158,578	185,384
Communications costs	47,149	51,680
Corporate advisory	822,345	591,815
Software & other	79,398	54,176
Consulting and legal expense	565,814	524,357
Share-based payments to consultants	550,954	100,553
Insurance	132,301	123,136
Investor relations	101,846	178,829
Listing & registry fees	175,890	143,788
Occupancy expense	186,181	375,985
Printing and office supplies	38,565	47,838
Travel and accommodation	239,466	334,429
Other expenses	190,264	443,308
<b>Total other expenses</b>	<b>3,288,751</b>	<b>3,155,278</b>

### 3. Finance Income and Finance Costs

#### *Accounting policy – Finance income and finance costs*

Finance income includes interest revenue which is recognised on an accruals basis taking into account the interest rates applicable. It is recognised at the time the right to receive payment is established.

Finance costs include interest paid and amortised borrowing costs from financing arrangements. Costs incurred in relation to the arrangement are amortised using the effective interest method, over the life of the loan.

	2020 \$	2019 \$
<b>a) Finance income</b>		
Interest earned	25,490	114,430
<b>Total finance income</b>	<b>25,490</b>	<b>114,430</b>
<b>b) Finance costs</b>		
Interest expenses on lease liabilities	1,850	-
Amortised borrowing costs <sup>(1)</sup>	150,716	2,163,035
<b>Total finance costs</b>	<b>152,566</b>	<b>2,163,035</b>

- <sup>(1)</sup> In 2019, the Convertible Note included interest payable as shares totalling \$1,818,013, refer to Note 20.



#### 4. Income Tax

##### **Accounting policy – income taxes**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

##### **Tax consolidation**

Leigh Creek Energy Limited and its wholly owned Australian subsidiaries are part of a tax-consolidated group under Australian taxation law.

	2020 \$	2019 \$
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss before income tax	(7,154,941)	(9,534,857)
Prima facie tax (benefit) on loss before income tax at 27.5% (2019: 27.5%)	(1,967,609)	(2,622,086)
<i>Permanent differences:</i>		
Entertainment non-deductible	16,603	13,899
Share based payments	404,851	203,812
Other non-deductible	90,423	-
Movement in unrecognised tax assets and liabilities	(1,948,994)	(87,130)
Tax loss not recognisable	3,404,727	2,491,505
Under/(Over) provided in prior year	-	-
Aggregate income tax expense	-	-

##### **Tax losses**

##### *Unused tax losses for which no deferred tax asset has been recognised*

Revenue losses	19,027,391	17,059,783
Capital losses	192,254	192,254

The Group considers that in the future it will be generating taxable income to utilise carried forward tax losses, however, it does not meet the recognition criteria. Additionally, the carried forward tax losses can only be utilised in the future when taxable income is being generated, if the continuity of ownership test is passed, or failing that, the same business test is passed.

## 5. Cash Assets

### *Accounting policy – Cash and cash equivalents*

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less but exclude any restricted cash. Restricted cash is not available for use by the Group and therefore is not considered highly liquid.

### *Cash and cash equivalents*

	2020 \$	2019 \$
Bank balances	6,799,387	2,230,126
Term deposits <sup>1</sup>	15,000	63,817
<b>Total Current cash and cash equivalents</b>	<b>6,814,387</b>	<b>2,293,943</b>
Restricted cash <sup>2</sup>	564,804	763,440
<b>Total Non-Current Restricted cash</b>	<b>564,804</b>	<b>763,440</b>

### *Notes:*

<sup>1</sup> Term deposits comprise cash balances with an original maturity of less than three months.

<sup>2</sup> The Group has \$495,000 in restricted cash held at local banks as a result of environmental monitoring and rehabilitation requirements under the Petroleum and Geothermal Energy Act 2000 relating to its Leigh Creek Energy Project. The Group also has \$69,804 in restricted cash held under its lease contract as lessee to its corporate office in Adelaide. These reserves are not available to finance the Group's day-to-day operations and, therefore, have been excluded from cash and cash equivalents for the purposes of the statement of cash flows. It has been disclosed as a non-current asset.

## 6. Trade and other receivables

### *Accounting policy – Trade and other receivables*

Trade and other receivables are recognised initially at fair value. At balance date, no receivables were considered to be outstanding or impaired.

	2020 \$	2019 \$
Trade debtors	-	12,032
GST recoverable	57,608	52,030
R&D tax incentive receivable	493,096	6,363,118
Other debtors	6,793	18,308
<b>Total Trade and other receivables</b>	<b>557,497</b>	<b>6,445,488</b>

## 7. Property, Plant and Equipment

### Accounting policy – Property, plant and equipment

Each class of property, plant and equipment is carried at cost, where applicable, less any accumulated depreciation and impairment losses.

#### i) Plant and equipment

Plant and equipment are shown at historical cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### ii) Depreciation

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Plant and equipment	5-33%
Office equipment	10-50%
Motor vehicles	15%
Leasehold improvement	45%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets (including impairment provision) and are recognised in profit or loss with Other Income or Other Expenses.

	2020 \$	2019 \$
<b>Cost</b>		
Balance at 1 July 2019	789,009	624,066
Additions	86,721	218,466
Disposals	-	(53,523)
<b>Balance at 30 June 2020</b>	<b>875,730</b>	<b>789,009</b>
<b>Accumulated depreciation &amp; impairment</b>		
Balance at 1 July 2019	376,310	341,408
Depreciation	94,973	88,425
Disposals	-	(53,523)
<b>Balance at 30 June 2020</b>	<b>471,283</b>	<b>376,310</b>
<b>Carrying amounts</b>		
At 1 July 2019	412,699	282,658
<b>At 30 June 2020</b>	<b>404,447</b>	<b>412,699</b>

## 8. 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 right of tenure is current and those costs are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and operations in relation to the area are continuing.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Accumulated costs, in relation to an abandoned area, are written off in full against profit in the period in which the decision to abandon the area is made.

	2020 \$	2019 \$
Balance at opening	25,025,917	16,400,151
Licence fees	28,220	7,518
Costs capitalised for Joint Operation (Note 14)	255,643	-
Costs capitalised for Feasibility Studies	-	964,374
Costs capitalised for LCEP	2,428,698	14,016,993
Less R&D tax concession rebates	(517,417)	(6,363,118)
<b>Total exploration and evaluation expenditure</b>	<b>27,221,061</b>	<b>25,025,917</b>

During the year the Company applied for R&D Tax Incentives through AusIndustry in relation to eligible research expenditure incurred during 2019/20 for the Leigh Creek Energy Project.

## 9. Trade and Other Payables

Trade and other payables consist of the following:

	2020 \$	2019 \$
Trade payables	236,589	373,428
Other payables	47,701	57,533
Accruals	192,710	336,947
<b>Total Trade and other payables</b>	<b>477,000</b>	<b>767,908</b>



## 10. Borrowings

### Accounting policy – Borrowings

Borrowings are recognised initially at fair value less attributable transaction and finance costs.

Subsequent to initial recognition, borrowings and loans are stated at amortised cost, with any difference between cost and redemption value being recognised in the profit or loss over the period of the loan 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 connection with the arrangement of loans, interest payable and facility line fees payable on the loan.

	2020 \$	2019 \$
<b>Current</b>		
Loan – Motor Vehicle and Insurance Premium Funding	90,848	11,105
R&D working capital facility	360,000	3,870,000
<b>Total current borrowings</b>	<b>450,848</b>	<b>3,881,105</b>
<b>Non-current</b>		
Loan – Motor Vehicle and Insurance Premium Funding	102,350	107,907
<b>Total borrowings</b>	<b>553,198</b>	<b>3,989,012</b>
<b>R&amp;D working capital facility</b>		
R&D working capital facility – available	750,000	4,000,000
R&D working capital facility – undrawn	(390,000)	(130,000)
<b>R&amp;D working capital facility – drawn</b>	<b>360,000</b>	<b>3,870,000</b>

The Company has a limited working capital facility with the Commonwealth Bank of Australia (CBA) which is limited to accessing qualifying refundable R&D tax concessions in advance. This has provided Leigh Creek Energy with the flexibility to bring forward its tax offsets by providing a draw down on eligible expenditure and for CBA to be repaid from the company's taxation return rebate. In June 2018 Leigh Creek Energy extended the Facility to December 2019 and the facility limit was increased to \$10.5m. Following receipt of the 2018/19 ATO rebate and clean down of the Facility the limit decreased to \$1.5m to match anticipated 2019/20 tax rebates. In April 2020, the facility was further reduced to \$750k reflecting reduced eligible R&D expenditure due to the COVID-19 pandemic. A total of \$360,000 was drawn under the extended facility as at 30 June 2020. The receivable due from the R&D rebate is \$493,096 for the year. Interest is payable at a rate of 4.15% (2019: 4.15%).

## 11. Employee Remuneration

### Employee benefits expense

	2020 \$	2019 \$
Wages, salaries (inc on-costs)	2,390,182	2,945,707
Superannuation	236,472	190,063
Share based payments	921,233	1,124,833
Employee provisions <sup>1</sup>	163,550	24,710
<b>Total employee benefit expense</b>	<b>3,711,437</b>	<b>4,285,313</b>

<sup>1</sup> This is to recognise a provision for long service leave and annual leave.

Under the Company's Accounting for Exploration policy, labour costs relating to the LCEP are capitalised. The total staff cost was \$4,714,769 (2019: \$8,491,668).

### Employee benefits

#### Accounting policy – Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. These benefits include wages, salaries and annual leave. Where these benefits are expected to be settled within 12 months of the reporting date, they are measured at the amounts expected to be paid when the liabilities are settled. The provision has been recognised at the undiscounted amount expected to be paid.

In relation to employee benefits arising for employees directly involved in the exploration project, these indirect costs have been capitalised to the project.

	2020 \$	2019 \$
Liability for annual leave	389,521	312,729
Liability for long service leave	86,758	-
Provision for bonus	-	204,687
<b>Total employee benefit liability</b>	<b>476,279</b>	<b>517,416</b>

## 12. Issued Capital

### Accounting policy – Issued capital

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

### Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of 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.

	2020 \$	2019 \$
Ordinary shares 654,662,412 (2019: 548,143,421)	85,448,416	74,930,077
Share issue costs	(4,354,249)	(3,930,027)
<b>Total issued capital</b>	<b>81,094,167</b>	<b>71,000,050</b>

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

### Detailed table of capital issued during the year

Type of share issue	Date of issue	No of ordinary shares on issue	Issue price \$	Share capital \$
Opening balance 1 July 2019		548,143,421		74,930,077
Share issue	6 August 2019	14,322,222	\$0.225	3,222,500
Share issue	18 December 2019	825,351	\$0.16	132,056
Share issue	20 March 2020	16,978,021	\$0.091	1,545,000
Options exercise	1 June 2020	396,182	\$0.00	-
Options exercise	15 June 2020	65,744	\$0.00	-
Share issue	22 June 2020	54,194,628	\$0.076	4,118,783
Share issue	29 June 2020	19,736,843	\$0.076	1,500,000
<b>Issued capital</b>		<b>654,662,412</b>		<b>85,448,416</b>

12. *Issued Capital (continued)*

**Unlisted Options**

At the end of the financial year, unissued shares of the Group under option are:

<i>Expiry date</i>	<i>Exercise price</i>	<i>Number of shares</i>
14 October 2020	\$0.25	1,000,000
31 July 2020	\$1.50	1,000,000
30 November 2020	\$0.30	5,556,000
30 November 2020	\$0.49	27,500
8 May 2021	\$0.30	800,000
10 October 2021	\$0.35	2,000,000
10 October 2021	\$0.45	2,000,000
30 November 2020	\$0.30	40,000
16 July 2022	\$0.30	5,790,000
17 April 2023	\$0.35	5,000,000
3 July 2022	\$0.24	5,000,000
31 October 2021	\$0.20	1,500,000
31 October 2021	\$0.22	1,500,000
31 October 2021	\$0.24	1,500,000
31 October 2021	\$0.26	1,500,000
31 December 2020	\$0.25	4,000,000
12 December 2023	\$0.228	8,400,000
16 March 2023	\$0.1365	5,494,505
16 March 2023	\$0.182	5,494,505
14 April 2024	\$0.0	2,437,284
29 June 2023	\$0.114	5,000,000
<b>Total</b>		<b>65,039,794</b>

Options granted under the Employee Share Option Plan will typically expire on the earlier of the expiry date or termination of the employee's employment (unless the employee is a retiring director). For employees that are made redundant, their future unvested tranches are still able to vest (if conditions are met).

**Listed Options**

There are nil listed options over shares of the Group at the end of the financial year.

**Capital Management**

Management objectives when managing capital are to ensure the Group's ability to continue as a going concern.

The Group manages the capital structure and makes adjustments to it in light of the forecast cash requirements of the development programme. To that end, internal capital rationing is complemented by capital raising activities as required to ensure funding for development activities is in place.

There are no externally imposed capital requirements.



### 13. Reserves

#### Accounting policy - Reserves

The share option reserve is used to recognise the fair value of options granted to employees and consultants but not exercised. Upon exercise of the options, the proceeds are allocated to share capital.

	2020 \$	2019 \$
Share option reserve	4,053,915	2,581,728
<b>Total reserves</b>	<b>4,053,915</b>	<b>2,581,728</b>

A breakdown of the share option reserve is as follows:

	No of Options 2020	2020 \$
Directors	15,750,000	778,482
Employees	13,978,382	1,320,859
Former employees	6,170,500	296,237
Other consultants	29,140,912	1,658,337
<b>Total</b>	<b>65,039,794</b>	<b>4,053,915</b>

#### Share-based payments

##### Accounting policy – Share based payment plans

The Group operates equity-settled share-based remuneration plans for its employees and some consultants. None of the Group's plans are cash-settled.

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.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is 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 which are 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), for the purposes of recognising the services received during the period between service commencement date and grant date. Once the date of grant has been established, the Company revises the earlier estimate so that the amounts recognised for services received in respect of the grant are ultimately based on the grant date fair value of the equity instruments.

13. Reserves (continued) / Share-based payments (continued)

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 being recorded as share premium.

For Plans 10, 14 and 15, the fair value at issue date is calculated using the Black Scholes option pricing model that takes into account the share price at issue date, the exercise price, the term until expiry, estimate of implied volatility.

For plans 17- 19, the fair value is calculated using the 20 preceding trading days VWAP prior to issue. These options are issued at a zero exercise price, in exchange for employee wages foregone.

For all other plans, including plans 1-9, 11, 12 and 16, the fair value at issue date is calculated using the Trinomial option pricing model that takes into account the share price at issue date, the exercise price, the term until expiry, estimate of implied volatility.

(i) Number of options granted during the year

	2020	Weighted average exercise price 2020
Outstanding at beginning of the year	42,293,500	\$0.32
Forfeited	(2,250,000)	\$0.30
Expired	(2,030,000)	\$0.26
Granted	27,488,220	\$0.16
Exercised	(461,926)	\$0.30
Outstanding	65,039,794	\$0.26

	2019	Weighted average exercise price 2019
Outstanding at beginning of the year	24,652,250	\$0.36
Forfeited	(1,678,750)	\$0.31
Granted	25,790,000	\$0.28
Exercised	(470,000)	\$0.30
Outstanding	42,293,500	\$0.32

## (ii) Valuation assumptions – employee plans

At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. A volatility curve was used for plans 1-15. Options vested on issue date for plans 7-15.

	Plan 1	Plan 2	Plan 3
Grant date	15 October 2015 <sup>1</sup>	December 2015 <sup>1</sup>	December 2015
Number issued	2,000,000	2,000,000	10,250,000
Share price at grant date	\$0.17	\$0.23	\$0.23
Volatility (average)	70%	70%	70%
Fair value at issue date	\$0.08	\$0.02	\$0.04
Exercise price	\$0.212 <sup>1</sup> , \$0.25 <sup>2</sup>	\$1.50	\$0.30
Exercisable from	22 October 2015	31 July 2016 <sup>3</sup>	31 July 2016 <sup>3</sup>
Exercisable to	14 October 2020 <sup>4</sup>	31 July 2020	30 November 2020

**Notes:**

<sup>1</sup> Exercise price for Tranche 1 was the greater of \$0.20 and 10% premium to the 5 day VWAP up to 26 May 2015.

<sup>2</sup> Exercise price for Tranche 2 was the greater of \$0.25 and 20% premium to the 5 day VWAP up to 26 May 2015.

<sup>3</sup> Options vest at 25% per year on 31 July 2016, 31 July 2017, 31 July 2018 and 31 July 2019 if vesting conditions (milestones) are achieved.

<sup>4</sup> Tranche 1 expiry date is 14 October 2019, and Tranche 2 expiry date is 14 October 2020.

	Plan 4	Plan 5	Plan 6
Grant date	11 July 2016	4 October 2016	10 July 2017
Number issued	195,000	4,000,000	636,000
Share price at grant date	\$0.19	\$0.13	\$0.11
Volatility (average)	70%	70%	70%
Fair value at issue date	\$0.04	\$0.03	\$0.02
Exercise price	\$0.49, \$0.30	\$0.35, \$0.45	\$0.30
Exercisable from	11 July 2016 <sup>1</sup>	10 October 2016	31 July 2018 <sup>2</sup>
Exercisable to	30 November 2020	10 October 2021	30 November 2020

**Notes:**

<sup>1</sup> Options vest at 25% per year on 31 July 2016, 31 July 2017, 31 July 2018 and 31 July 2019 if vesting conditions (milestones) are achieved.

<sup>2</sup> Options vest at 33% per year on 31 July 2018, 31 July 2019 and 31 July 2020 if vesting conditions are achieved.

(ii) Valuation assumptions – employee plans (continued)

	Plan 7	Plan 8	Plan 9
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 10
Grant date	17 December 2019
Number issued	8,600,000
Share price at grant date	\$0.16
Volatility (average)	70%
Fair value at issue date	\$0.06
Exercise price	\$0.23
Exercisable from	13 December 2019
Exercisable to	12 December 2023



(iii) *Valuation assumptions – consultant plans*

	Plan 11	Plan 12	Plan 13
Grant date	4 October 2016	1 March 2019	11 February 2019
Number issued	800,000	6,000,000	4,000,000
Share price at grant date	0.13	0.22	0.11
Volatility (average)	70%	70%	70%
Fair value at issue date	\$0.15	\$0.06	\$0.03
Exercise price	\$0.30	\$0.20, \$0.22, \$0.24, \$0.26	\$0.25
Exercisable from	20 July 2016	1 March 2019	11 February 2019
Exercisable to	8 May 2021	31 October 2021	31 December 2020

	Plan 14	Plan 15	Plan 16
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

(iv) *Other employee plans*

	Plan 17	Plan 18	Plan 19
Grant date	17 April 2020	19 May 2020	15 June 2020
Number issued	974,817	973,688	950,705
Fair value at issue date	\$0.10	\$0.09	\$0.10
Exercise price	\$0.00	\$0.00	\$0.00
Exercisable from	16 April 2020	18 May 2020	15 June 2020
Exercisable to	15 April 2025	15 April 2025	15 April 2025

(v) *Other plans granted provisionally*

Options have been granted to KMPs subject to shareholder approval. The fair value at provisional grant date is \$148,100. These represent fees and salary foregone by KMPs in response to COVID-19 cash containment strategy.

#### 14. Interest in Joint Operations

##### **Accounting policy – Joint Operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group has recognised its share of jointly held assets, liabilities, revenues, and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications

The Group has entered an unincorporated Joint Operation whose principal activities are Oil and Gas exploration, with intent to gain interests in Cooper Basin ATP 2023 and ATP 2024.

The Group has the option to acquire a 20% interest in ATP 2023 and ATP 2024, by funding:

- In the 12 months commencing May 2020, \$420,000 of the costs of seismic re-processing and G & G, \$220,000 and \$200,000, respectively.
- In the 12 months commencing May 2021, \$3,760,000 of the costs of 3D seismic over a 2 x 300km<sup>2</sup> area, \$1,880,000 and \$1,880,000, respectively.
- Additionally, the Group will fund an administrative overhead based on annual expenditure, at an estimate of 6% for the first year, and 4% for the second year
- The 20% interest in ATP 2023 and ATP 2024 will only be earned after completing the year 2 funding obligations as above.

#### 15. Commitments for Expenditure

##### **Accounting policy - Operating leases (applicable to comparative year-ended 30 June 2019)**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, were charged as expenses in the periods in which they were incurred.

	2019 \$
<b>Operating lease commitment</b>	
Not longer than 1 year	193,877
Longer than 1 year and not longer than 5 years	8,044

The Group has no contingent liabilities at the year end.

##### **Accounting policy – Capital commitments**

Capital commitments relates to expenditure commitments for the Leigh Creek Energy Project (LCEP) and Joint Operation outstanding at balance date.

	2020 \$	2019 \$
Leigh Creek Energy Project	90,091	93,720
Interest in Joint Operation – Bridgeport – not longer than 1 year	261,170	-
Interest in Joint Operation – Bridgeport – longer than 1 year but less than 5 years	3,760,000	-

Under the terms of tenement registration and renewal, tenements have commitments to work requirements. The commitment to work requirements at Leigh Creek is included above.

There are no other commitments at balance date for expenditure by the Group.

## 16. Leases

### **Accounting policy – Leases (applicable from 1 July 2019)**

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- The Group has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- The Group has the right to direct the use of the identified asset throughout the period of use.

The Group assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

### **Measurement and recognition of leases as a lessee**

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

16. Leases (continued)

**Right of Use Lease Assets**

	2020 \$	2019 \$
<b>Cost</b>		
Additions - new lease	267,020	-
<b>Balance at 30 June 2020</b>	<b>267,020</b>	<b>-</b>
<b>Accumulated depreciation &amp; impairment</b>		
Depreciation	21,977	-
<b>Balance at 30 June 2020</b>	<b>21,977</b>	<b>-</b>
<b>Carrying amounts</b>		
<b>At 30 June 2020</b>	<b>245,043</b>	<b>-</b>

The Group leases office premises in Adelaide with a remaining lease term of 22 months.

**Lease Liabilities**

	2020 \$	2019 \$
Current	147,864	-
Non-current	121,006	-
<b>At 30 June 2020</b>	<b>268,870</b>	<b>-</b>

At 30 June 2020, the Group does not have any short-term lease commitments.



## 17. Financial Assets & Liabilities

### **Accounting policy – Financial assets & liabilities**

#### *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. Subsequent measurement of financial assets and financial liabilities are described below.

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 in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable)

For the purpose of 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 (FVPL)
- 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 that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is 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

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

### **Subsequent measurement 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 FVPL):

- 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. 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.

## 17. Financial Assets & Liabilities (continued)

### Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognize 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 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 FVPL, 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 that are reported in profit or loss are included within finance costs or finance income.

### Categories of financial assets and liabilities

The carrying amount of financial assets and liabilities in each category are as follows:

Financial assets	Notes	Financial assets at amortised cost 2020	Financial assets at amortised cost 2019
Cash and cash equivalents	5	6,814,387	2,293,943
Restricted cash	5	564,804	763,440
Trade and other receivables	6	557,497	6,445,488
		<b>7,936,688</b>	<b>9,502,871</b>
Financial liabilities	Notes	Financial liabilities (amortised cost) 2020	Financial liabilities (amortised cost) 2019
Trade and other payables	9	477,000	767,909
Current borrowings	10	450,848	3,881,105
Non-current borrowings	10	102,350	107,907
Lease Liabilities – Current	16	147,864	-
Lease Liabilities – Non-current	16	121,006	-
		<b>1,299,068</b>	<b>4,756,921</b>

## 17. Financial Assets &amp; Liabilities (continued)

**Measurement***Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost.

i. *Treasury Risk Management*

The risk management of treasury functions is managed by the Audit and Risk Committee.

ii. *Finance Risks*

The Group's financial instruments are exposed to a variety of financial risks, being Market risk (Interest rate and Price risk), Credit risk and Liquidity risk. The Group operates mainly in Australia and as such is not subject to foreign exchange risk.

*Interest rate risk*

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and liabilities, is summarised in the table above.

*Sensitivity:* At June 30, 2020, if interest rates on cash and term deposits had changed by  $\pm 10$  basis points from the year end rates with all other variables held constant post tax loss and total equity would have been 1,907 (2019: \$15,363) more/less as a result of lower/higher interest income.

At June 30, 2020, if interest rates on borrowings had changed by  $\pm 10$  basis points from the year end rates with all other variables held constant post tax loss and total equity would have been \$124 (2019: \$954) more/less as a result of lower/higher interest expense.

*Credit risk*

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligation that could lead to a financial loss to the Group. The Group's maximum exposure to credit risk is its cash and cash equivalents and receivables as noted in the table above. The group manages its credit risk by depositing with reputable licenced banks.

*Liquidity risk*

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate sources of funding are available.

Maturity of the group's financial liabilities is within 2 years.

## 18. Notes to the Statement of Cash Flows

### (a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2020 \$	2019 \$
Bank balances and short term deposits	6,814,387	2,293,943

The weighted average effective interest rate on bank deposits is 0.04% (2019: 1.19%). All deposits are for less than 12 months.

### (b) Reconciliation of Cash Flow from Operations with Loss after Tax

	2020 \$	2019 \$
Loss after income tax	(7,154,941)	(9,534,857)

*Cash flows excluded from loss attributable to operating activities:*

Non-cash flows in operating loss

Depreciation expense	77,677	59,116
Share based payments	1,604,244	1,225,386
Other revenue	-	(3,455)
Interest	152,566	2,163,035

*Change in assets and liabilities*

Decrease/(Increase) in receivables / prepayments	5,841,367	9,340,645
Increase/(Decrease) in payables	(290,908)	103,583
Increase/(Decrease) in provisions	(41,137)	(21,167)
Decrease/(Increase) in long-term deposits	198,636	(289,636)
Increase/(Decrease) in tax refund receivable	517,416	-
<b>Net Cash (used in) / provided by operating activities</b>	<b>904,920</b>	<b>3,042,650</b>

## 19. Parent Entity Disclosures

*Investment in controlled entities*

Entity	Country of incorporation	Class of share	Interest Held	
			2020	2019
Bonanza Gold Pty Ltd	Australia	Ordinary	- <sup>1</sup>	100%
Leigh Creek Oil and Gas Pty Ltd	Australia	Ordinary	100%	-
Leigh Creek Operations Pty Ltd	Australia	Ordinary	100%	100%

<sup>(1)</sup> Company was deregistered 29 December 2019

*Parent entity information*

	2020 \$	2019 \$
--	------------	------------

**Parent Entity***Asset*

Current assets	7,329,242	8,847,931
Non-current assets	27,743,537	25,199,744
<b>Total assets</b>	<b>35,072,779</b>	<b>34,047,675</b>

*Liabilities*

Current liabilities	1,433,916	4,935,623
Non-current liabilities	223,356	107,907
<b>Total liabilities</b>	<b>1,657,272</b>	<b>5,043,530</b>

*Equity*

Issued capital	79,484,926	69,390,809
Share option reserve	4,053,915	2,581,728
Accumulated losses	(50,123,334)	(42,968,392)
<b>Shareholder equity</b>	<b>33,415,507</b>	<b>29,004,145</b>

*Financial performance*

Profit (loss) for the year	(7,154,942)	(9,544,856)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(7,154,942)</b>	<b>(9,544,856)</b>

The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

**Accounting policy – Capital commitments for parent**

Capital commitments relates to expenditure commitments for the Leigh Creek Energy Project (LCEP) outstanding at balance date.

	2020 \$	2019 \$
Leigh Creek Operations Pty Ltd	90,091	93,720



## 20. Related Party Transactions

### *Transactions with key management personnel compensation*

Key management of the Group are the executive members of the Group's Board of Directors and members of the management team. Key management personnel remuneration includes the following expenses:

	2020 \$	2019 \$
Total short-term employee benefits	996,780	1,831,935
Total post-employment benefits	116,112	104,850
Share based payments	75,469	442,633
<b>Total Remuneration</b>	<b>1,188,371</b>	<b>2,379,418</b>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting year. Detailed disclosure is included within the remuneration report.

### *Other transactions with key management personnel*

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

- (i) Piper Alderman lawyers were paid \$151,912 (2019: \$46,255) for legal services rendered to the Group. There was \$4,527 due for payment at the end of the reporting period. Greg English is a partner at Piper Alderman lawyers;
- (ii) Investment Company Services Pty Ltd were paid \$29,067 (2019: \$45,509) for providing investor relations services to the Group. There was no outstanding balance at the end of the reporting period. The party is related to Mr Peters, Executive Chairman;
- (iii) During 2020, a binding heads of agreement was entered into between China New Energy and the Company. Mr Zhe Wang is an employee at China New Energy.
- (iv) Zheng Xiaojiang provided consulting services during the year totalling \$201,250 (2019: \$210,833). There was \$8,883 due for payment at the end of the reporting period. Mr Xiaojiang is a Non-Executive Director of Leigh Creek Energy.
- (v) Mr Xiaojiang is also a Director of Crown Ascent Development Limited. During the prior year, On 7 February 2019 the Company issued convertible notes with a face value of \$3m to Crown Ascent Development Limited. The issue price was \$0.12 per note, convertible into a fully paid share, with interest calculated at 12.2% per annum (to be capitalised and paid in shares at the conversion price), and early conversion required full payment of interest over the 2 year term of the notes. In April 2019, these convertible notes were converted to shares resulting in an interest charge of \$1,818,013. In addition, Crown Ascent Development Limited earned a 6% establishment fee which was paid in shares at the conversion price, worth \$397,500.

## 21. Auditor's Remuneration

During the year the following fees were paid or payable for services provided by the Auditor of the Group:

	2020 \$	2019 \$
Auditing and review services	49,370	43,982

During the year, Grant Thornton Audit Pty Ltd, the Company's auditors, did not undertake any additional services to their statutory audit duties.

## 22. Earnings Per Share

### Accounting policy – Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit (loss) attributable to equity holders excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assuming conversion of all dilutive potential ordinary shares.

The calculation of basic earnings per share at 30 June 2020 was based on the loss attributable to ordinary equity holders of \$7,154,941 (2019: \$9,534,857) and a weighted average number of ordinary shares outstanding during the 12 months of 567,407,752 (2019: 433,286,469).

The calculation of diluted loss per share at 30 June 2020 is the same as basic diluted loss per share. In accordance with AASB 133 Earnings per share, as potential ordinary shares may result in a situation where their conversion results in a decrease in the loss per share, no dilutive effect has been taken into account. There was no dilutive potential ordinary shares in existence during the year (2019: none) as the share options of the Company were antidilutive.

	2020 \$	2019 \$
<b>Loss used to calculate basic EPS</b>	<b>(7,154,941)</b>	<b>(9,534,857)</b>
	<i>Cents</i>	<i>Cents</i>
Basic earnings per share – cents per share	(1.26)	(2.20)
Diluted earnings per share – cents per share	(1.26)	(2.20)
<b>Weighted average number of shares used as denominator</b>		
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	567,407,752	433,286,469

## 23. Matters Subsequent to the End of the Year

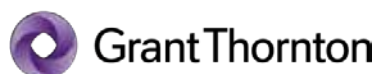
On 22 July 2020 the Board resolved to issue up to 10,000,000 employee options under the terms of the ESOP to eligible staff as part of an annual reward and recognition process. On 19 August, 8,700,000 of these options were issued.

## 24. Company Details

The registered office and principal place of business is:

Leigh Creek Energy Limited  
Level 11, 19 Grenfell Street  
Adelaide, South Australia 5000

# Independent Audit Report



Level 3, 170 Frome Street  
Adelaide SA 5000

Correspondence to:  
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Adelaide SA 5001

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F +61 8 8372 6677  
E [info.sa@au.gt.com](mailto:info.sa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## Independent Auditor's Report

To the Members of Leigh Creek Energy Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Leigh Creek Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Exploration and evaluation assets – Notes 8</b>	
<p>At 30 June 2020 the carrying value of exploration and evaluation assets was \$27,221,061.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;</li> <li>reviewing management's area of interest considerations against AASB 6;</li> <li>conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including: <ul style="list-style-type: none"> <li>tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;</li> <li>enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;</li> <li>understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;</li> </ul> </li> <li>evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and</li> <li>assessing the appropriateness of the related financial statement disclosures.</li> </ul>

### Information other than the financial report and auditor's report thereon

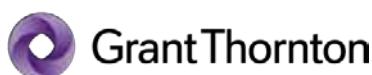
The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Audit Report



## Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's/Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company/Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Leigh Creek Energy Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Yours faithfully  
Grant Thornton Audit Pty Ltd  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "J.L. Humphrey".

J.L. Humphrey  
Partner – Audit & Assurance

Adelaide, 28 August 2020



## Shareholder information

### Substantial shareholders at 26 August 2020

Name	Fully paid shares	Ordinary shares %	Options	Options %
China New Energy Group Limited	136,333,334	20.76	-	-

### Distribution of shareholdings at 26 August 2020

Number of security holders by size of holding:

Range	Total holders shares	Number of shares
1 – 1,000	458	205,526
1,001 – 5,000	808	2,304,644
5,001 – 10,000	612	4,811,212
10,001 – 100,000	1,704	65,809,371
100,001 and over	730	583,552,768
<b>Total</b>	<b>4,312</b>	<b>656,683,521</b>

The issued capital of the Company is fully paid ordinary shares (entitling the holders to participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held) and listed options. On a show of hands every holder of the shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share counts as one vote.

## Shareholder information

### Twenty largest shareholders at 26 August 2020

Name	Fully paid ordinary shares	% of issued capital
China New Energy Group Limited	136,333,334	20.76
Crown Ascent Development Limited	29,501,347	4.49
Citicorp Nominees Pty Ltd	18,940,074	2.88
Bart Properties Pty Ltd <The Scott Flynn Family A/C>	15,856,858	2.41
Rubi Holdings Pty Ltd <John Rubino S/F A/C>	13,516,584	2.06
Hephzibah Pty Ltd <Butt Family Super A/C>	12,108,468	1.84
Mr George Andrew Raftopoulos + Mrs Elizabeth Athena Raftopoulos <The Omega Super A/C>	12,000,000	1.83
One Design & Skiff Sails Pty Ltd <I W Brown Super Fund>	8,238,332	1.25
Mr Ryan Burke	6,639,400	1.01
Slade Technologies Pty Ltd <Embrey Family S/F A/C>	6,109,580	0.93
Citic Australia Pty Ltd	5,793,542	0.88
Littlejohn Embrey Engineering Pty Ltd	5,100,000	0.78
Big Sky Holdings Pty Ltd <Big Sky Holdings Unit A/C>	4,377,778	0.67
Mr Cheyne Michael Dunford	4,152,990	0.63
Bart Properties Pty Ltd <Scott Flynn Family A/C>	4,012,830	0.61
Allua Holdings Pty Ltd <The Drg A/C>	4,000,000	0.61
River Property Investments Pty Ltd	4,000,000	0.61
Hephzibah Pty Ltd <The Butt Family A/C>	3,861,922	0.59
Mr Bruce Warrington Holman	3,282,309	0.50
Lawry Super Nominees Pty Ltd <Lawry Family Super Fund A/C>	3,200,000	0.49
<b>Total Top 20</b>	<b>301,025,348</b>	<b>45.84</b>
<b>Total Remaining Holders Balance</b>	<b>355,658,173</b>	<b>54.16</b>

Unissued equity securities	Number
<b>Unlisted options</b>	<b>71,423,012</b>

### Securities exchange

The Company is listed on the Australian Securities Exchange.

# Facts: The in situ gasification (ISG) process

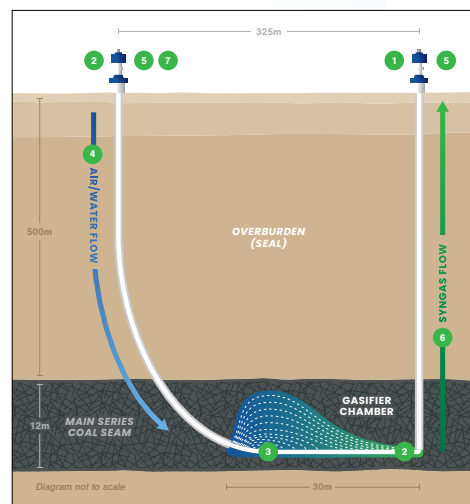
The demonstration plant was located in the heavily modified Telford Basin in the former Leigh Creek Coal field.

## How does the ISG process work?

The ISG process converts coal, through a chemical reaction, from its solid state into a gaseous form, resulting in the generation of syngas.

Syngas comprises methane, hydrogen and carbon monoxide energy gases with variable amounts of inert gases, carbon dioxide and nitrogen.

- 1) Outlet well is drilled to intersect coal seam.
- 2) Inlet well is drilled and steered to link up with Outlet well.
- 3) Initiation tool is placed down the inlet well to heat the coal and starts the gasification process.
- 4) Addition of air and water creates a series of chemical conversions transforming coal to syngas.
- 5) Process is controlled by using inlet and outlet wells to manage the flow of air and water.
- 6) Syngas will flow up through the outlet well and is analysed on the surface.
- 7) Process is stopped by turning off air and water supply from the inlet well.



**1,153 PJ 2P  
RESERVE**

*Eastern Australia's largest undeveloped  
and uncontracted gas reserves*

**TELFORD BASIN**

## What is a 2P Reserve?

The project has a PRMS reserve of 2P 1,153 PJ, which is now the largest uncontracted gas reserve available to eastern Australia and larger than what is commercially available in the entire Cooper Basin (ACCC, 2018).

LCK's certification comes after having successfully extracted gas at economic flow rates at its PCD.

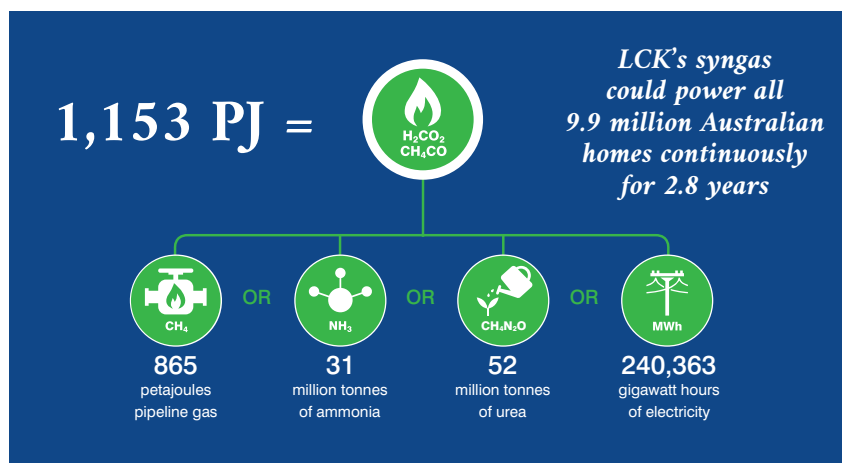
The size of the reserve indicates that LCK has multiple commercialisation paths, mainly the sale of synthetic natural gas in the Australian East Coast market and/or using the gas to manufacture ammonia-based fertiliser products.

## What is LCK's Pre-Commercial Demonstration Facility?

LCK's Pre-Commercial Demonstration Facility (PCD) commenced Q4 2018 and concluded Q1 2019 and had five main objectives:

- 1 Produce syngas comprising Methane ( $\text{CH}_4$ ), Hydrogen ( $\text{H}_2$ ), Carbon Monoxide ( $\text{CO}$ ) and Nitrogen ( $\text{N}_2$ ).
- 2 Produce syngas at over 1 million cubic feet per day.
- 3 Capture information required to upgrade the Petroleum Resources Management System (PRMS) 2C resource to 2P reserve.
- 4 Demonstrate safe and environmentally responsible ISG operations.
- 5 Provide key data and information for commercial project development.

The PCD was deemed a success having met or exceeded all objectives, taking the company another step closer to commercial operations.



Stats: ABS 2016 Census report

## Notes

# Corporate Directory

## **Directors**

### *Executive Chairman*

Daniel J Peters

### *Managing Director*

Phillip Staveley

### *Non-Executive Director*

Gregory D English

### *Non-Executive Director*

Murray K Chatfield

### *Non-Executive Director*

Zhe Wang

### *Non-Executive Director*

Zheng Xiaojiang

## **Company Secretary**

Jordan Mehrrens

Damien Connor

## **Registered &**

### **Principal Business Office**

Level 11, 19 Grenfell Street  
Adelaide,  
South Australia, 5000

## **Bankers**

### **Commonwealth Bank of Australia**

96 King William Street  
Adelaide, South Australia, 5000

## **Principal Lawyer**

### **Piper Alderman**

Level 16, 70 Franklin Street  
Adelaide,  
South Australia, 5000

## **Auditors**

### **Grant Thornton Audit Pty Ltd**

Level 3, 170 Frome Street  
Adelaide, South Australia, 5000

## **Share Registrar**

### **Computershare Registry Services Pty Ltd**

Level 5, 115 Grenfell Street  
Adelaide, South Australia, 5000

### *Investor enquiries:*

1300 556 161

### *International:*

+61 3 9415 4000

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## **Leigh Creek Energy Limited**

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