

First EPCC Contract Milestone achieved

Leigh Creek Energy Limited (“LCK”) announces that DL E&C (“Daelim”) has formally achieved the first milestone on the LCK Fertiliser Contract for Engineering, Procurement, Construction and Commissioning ⁽¹⁾.

- Daelim has fulfilled all the requirements for the first milestone by providing all the pre-requisite detailed conditions, which have been reviewed and accepted by LCK which has triggered to progress the Agreement to the next stage.
- The formal Notice to Proceed to the next stage has been issued by LCK.
- This facilitates the finalisation of the next milestone where Daelim will complete the mobilisation of the full engineering team (including the employment of Australian Engineers) and progress on schedule with our Feasibility and Front End Engineering Design (FEED).

LCK Managing Director, Phil Staveley commented as follows:

“It is very pleasing to see this first concrete step and milestone achievement within a year of our first engagement with Daelim and it gives us great confidence in getting to FID in the scheduled timeframe.

Part of LCK’s risk management strategy was, from the outset, to engage with a world class EPCC company that could operate more in the nature of a partner than simply as a contractor – we are pleased to say that we are seeing it with Daelim.

We have full confidence in Daelim delivering on the EPCC and achieving FID as per the schedule. The start up date of the first urea production is looking closer and closer than ever. LCK will update the market as we achieve further milestones with LCKs Fertiliser Plant development.

Building the only fully integrated fertiliser production facility in Australia will create thousands of jobs, predominantly in South Australia. It will be one of the biggest private sector infrastructure projects in the State and will be a key supplier to Australia’s agriculture sector.”

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

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About the Leigh Creek Energy Project

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

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

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

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

Resource Compliance Statement

The information in this announcement that relates to the 2P Syngas Reserve was detailed in an announcement lodged with ASX on 27 March 2019 and is available to view at www.lcke.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. All estimates are based on the deterministic method for estimation of petroleum resources.

(1) Note that the contract signed with Daelim was EPCCF – it included finance. As this announcement relates only to the construction phase we have termed it EPCC for clarity.