Thursday, 4 November 2021: ASX ANNOUNCEMENT

Chairman’s Address

It is with great pleasure that I update the shareholders of Leigh Creek Energy, on what has been an exciting, challenging, and transformational year.

The past year has been a milestone year for the company. The Board and management of Leigh Creek Energy have used the past year to reposition the company to become the major urea fertiliser producer in Australia, focussed on domestic urea supply.

All the studies that we have conducted or commissioned have clearly shown that LCK has a unique advantage over others in the manufacturing of urea. We have our own supply of gas, we don’t have to transport that gas to a production site, we can sequester any surplus CO2 that is not used in the production of urea, and we are in the lowest cost quartile globally. We are not at risk of cost escalation. Our competitors will have to deal with the vagaries of global commodity price hikes, increases in transportation costs, exchange rates, and import logistical problems where it can take up to 24 days to ship urea to Australia at a cost of approximately A$30/t. This puts us in a unique position compared to our competitors.

The renaming of our flagship project, now as the Leigh Creek Urea Project (LCUP) was an important demonstration of that change in focus. The LCUP is progressing at pace. We partnered with the major Korean engineering firm DL&EC to complete the FEED and BFS studies for the project and that process is well underway. I cannot overstate how important it is for our company that we have partnered with a company with the technical capabilities such as DL&EC (Daelim). They bring their vast amounts of experience and resources with them to our project. We are rightfully proud of this partnership as it brings our capability to deliver on the LCUP to another level.

The LCUP continues to move closer to commercialisation as we progressed from being granted an exploration licence, then to a retention licence and then finally to a production licence. This is an amazing achievement by the company, and I wish to thank all our hard-working staff that led to this great achievement. We are the first in Australia and indeed the Western World to be granted a production licence for ISG.

The impacts of Covid-19 continue and resulting restrictions that have been put in place have provided some interesting challenges, and with international borders now opening we expect more rapid progress on a number of fronts. Despite these challenges, we have been able to continue to access global markets and have enjoyed the support of international financiers across the year to support our project and company. As the world emerges from the Covid-19 pandemic, I am sure there will still be more challenges to overcome, but I am certain that we have the team and structures in place to face any of these challenges head on and continue driving the project forward.

Importantly, the company has devoted significant resources into Environmental, Social and Governance (ESG). ESG used to be seen as a "nice to have" where companies either ignored it or paid lip service to its importance. We have been recognised internationally as a leader in our commitment to ESG to the point where we have been invited to the climate change conference in Glasgow and have our General Manager of People and Sustainability at the conference.

To assist us with these ambitious goals we have been working tirelessly with industry experts to develop a carbon neutral strategy, where we have focussed on being Carbon neutral by 2022. We undertook an independent feasibility study to confirm the potential for carbon sequestration at our flagship project to make sure all carbon produced in our processes are captured, reused, or stored making it a zero-carbon emission project.

During the year we took the strategic position to diversify our business from solely being an ISG company, to developing conventional oil and gas activities in the Cooper Basin. We are in a Joint Venture with Bridgeport Energy Limited and have been granted traditional petroleum and gas licences in the Cooper Basin with more activities planned in the coming year. I am comfortable that the company is well under way to ensure the successful execution of our diversification strategy.

At LCK our people are our most valuable asset. During the year we have been continuously hiring new people into the company. I am proud to say that when we claim to have a diverse range of qualifications and cultures at LCK that we can freely demonstrate that this is so.

We have seen great growth in the company, and we now employ more than 40 people with 8 women in a male dominated industry and this proportion is increasing. We have fully qualified Mechanical, Electrical, Civil and Chemical Engineers, qualified Geologists, Hydrogeologists, Environmental Specialists, Lawyers, Accountants, IT specialists, Educators, Safety and People Specialists. They come from, a diverse group of Indigenous Australians, Romania, China, Hungary, South America, Kenya, New Zealand, Egypt, England, Scotland and of course non indigenous Australians. The eldest is 63 and the youngest is 21. We also have 3 University Students and 2 Trades Trainees.

When you employ a large number of new staff there are always IT, technology, logistical and training challenges but all of our staff have hit the ground running and have energised the project and office with their fresh eyes and experience.

LCK is progressing with offtake discussions with several parties. It should be of no surprise that the level of interest by other parties is serious given international developments over the last three months. Gas is the feedstock for urea production and gas prices have dramatically increased around the world. European gas prices have increased to such a level that many European manufacturers have put plants in care and maintenance. Asian gas prices have almost doubled, and it is no surprise that China has now stopped the export of urea as China is concerned about food security and is mandating that all urea produced in China is to be used in the domestic market. Henry Hub gas prices in America are now at record highs. We have always been in the enviable position where our gas feedstock price is not subject to any of these variables. It has simply highlighted our cost advantage. The world gas prices may change but our cost of production remains steady at $1/GJ for gas and $109/tonne for urea. When our original PFS was delivered urea prices were at AUD$400 per tonne. Urea is now selling at over AUD$900 per tonne and currently forecast to rise further. The decision to produce nitrogen-based fertiliser is vindicated almost daily.

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

I opened with the statement that the last year has been a milestone year for LCK. I have absolutely no doubt this year will see even greater milestones being achieved that will lead to both the commercial success of LCK but also market recognition of the progress we have made with our project.

The Executive Chairman of Leigh Creek Energy authorised this announcement to be given to ASX.

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About the Leigh Creek Urea Project

The Leigh Creek Urea Project (LCUP) 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 LCUP will initially produce 1Mtpa (with potential to increase to 2Mtpa) of urea.

The AUD 2.6 billion LCUP will be one of the largest 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 LCUP will be the only fully integrated urea production facility in Australia, with all inputs for low carbon urea production on-site. Average nominal operating cost are forecast to be A$109 per tonne which is 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%.