

30 November 2021



Offtake Heads of Agreement signed with Daelim

HIGHLIGHTS

- DAELIM Co., Ltd. (Daelim) and Leigh Creek Energy Limited (LCK) enter into a Heads of Agreement (HOA) for an offtake of a minimum of 500,000 metric tonnes of granular urea per year for a minimum of five years.
- The purpose of the HOA is for the parties to exclusively work through and finalise the detailed terms of the offtake agreement.
- The same process (HOA preliminary to contract) was used for the Engineering, Procurement, Construction and Commissioning (EPCC) contract with Daelim
- This agreement is for all urea produced that is surplus to requirements for the domestic market. This provides LCK greater opportunity to maximise revenue and the capability to develop its domestic distribution network.
- Increased global energy costs, increased urea prices and food security concerns have validated the LCK Board decision to not accept previous offtake offers.

SUMMARY OF THE AGREEMENT

Executives of LCK travelled to Korea as soon as the travel border restrictions were lifted to meet with Daelim. Whilst in Korea we have been able to discuss the EPCC contract, the offtake agreement and a future strategic partnership. As a result, we are pleased to announce that we have come to an agreement on the way forward to complete a company defining offtake agreement.

LCK Executive Chairman, Justyn Peters, commented:

“It is no coincidence that immediately following travel borders being opened up that we were able to travel to Korea and hold very positive meetings with Daelim. This HOA is important to our company as it sets out a clear process that mirrors the process used to sign the EPCC contract with Daelim. An HOA with an exclusivity period allows both parties to put in the time, energy and cost to come to a definitive agreement without the risk (for want of a better description) of, to be frank, Daelim being gazumped by another party. After meetings with Daelim, LCK was sufficiently confident to grant an exclusive period.”

When we first went through the process of selecting an EPC contractor it was important for us to select a company that not only had the capability to engineer and build the ammonia and urea plant but had the willingness to work with us as a partner. This is the first example of that coming to fruition.

- LCK and Daelim have entered into a Heads of Agreement (“HOA”) for LCK to sell urea produced at its Leigh Creek Plant;
- The exclusivity period for the HOA expires in June 2022 if no agreement has been reached prior to that date;
- The offtake agreement is to be for a minimum of 500,000 tonnes per annum;
- The contract is to be for a minimum period of five years;
- Pricing is to be according to formula based pricing (i.e. index linked).

THE IMPORTANCE OF THIS OFFTAKE AGREEMENT

It is important to point out that this process is exactly the same as the process we went through in securing the EPCC contract with support for funding with Daelim. In that case we signed the HOA in order to provide an exclusive period for us to negotiate the terms of the EPCC contract. This HOA provides the parties with exactly the same process.

An offtake of this size is for the total of our export urea. This is the first and last offtake agreement that we will necessarily need to execute in order to secure our component of funding for the project. However, it does not exclude us securing other offtake agreements and we are still in offtake discussions with other parties.

Along with an offtake agreement, because of the exceptionally low cost (A\$109/t) of our carbon neutral fertiliser, and the concomitantly high margins, it is our belief that this will provide sufficient certainty for financiers.

We will announce, early next year, our marketing plan for our total production. That plan will include this agreement. It is also expected to include a new low cost urea distribution to the Australian market.

When the Pre-Feasibility Study (PFS) was completed for LCK, urea prices in Australia were A\$489 per tonne. Urea prices are now over A\$1,300 per tonne. Whilst it is difficult to forecast future urea prices, all the indicators show that prices will remain high (if not as high as current prices). Many urea plants in Europe are now in care and maintenance because of a shortage of gas and high prices. Gas prices in Asia have increased dramatically over the last year and China has stopped exporting urea. Finally, Henry Hub gas prices in the United States are close to record highs.

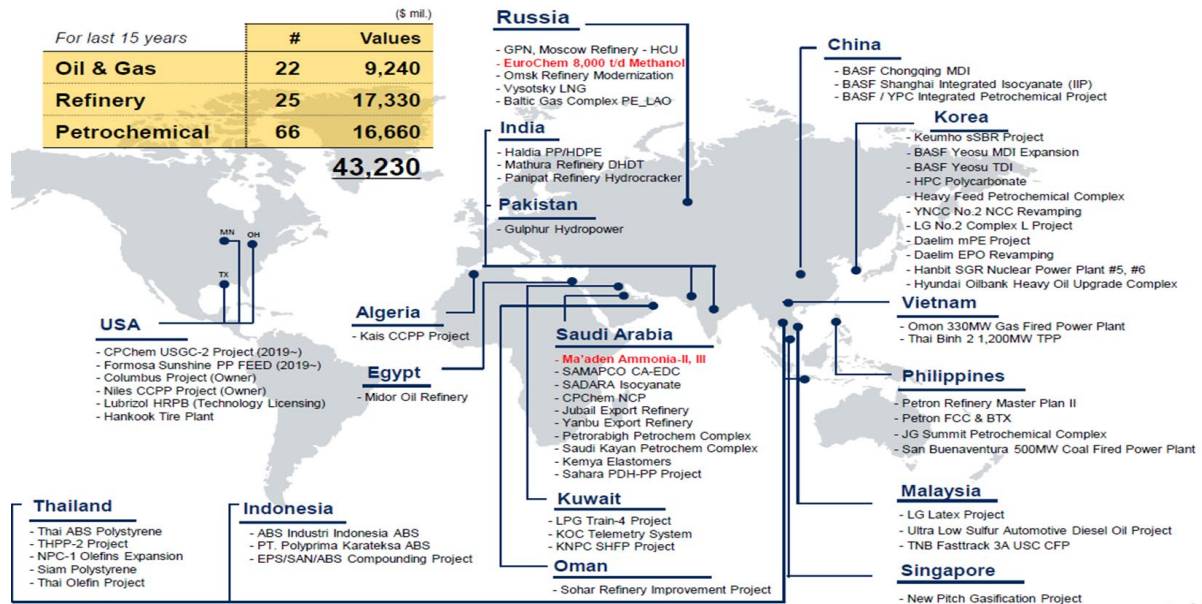
In addition, Incitec Pivot Limited (IPL) recently announced the pending closure of their Gibson Island facility meaning that ALL urea will be imported into Australia. All the indicators vindicate our decision to go down this path and this agreement brings us another step closer to production and revenue.

LCK Managing Director, Phil Staveley, commented:

“This is an exciting development for LCK. Once again, we have delivered on what we promised and continue to take each necessary step to get to production and revenue. This agreement, along with the Bankable Feasibility Study currently being prepared, gives us the tools to engage with financial investors and lenders. It also provides the certainty required to develop our marketing plans, which will lead to lower priced urea for Australian farmers.”

About Daelim

Incorporated in 1939, Daelim (former Daelim Industrial Co., Ltd.) is the flagship company of the DL Group, which consists of thirteen affiliates. As a leader in the construction sectors in South Korea, Daelim provides a wide variety of products and services.



Daelim is the 8th largest EPC contractor in the world, has successfully completed more than 600 projects of construction, civil engineering, and plant projects in 35 countries worldwide. It has been recognised for its technical leadership and strong competitiveness in the global market.

Since completing its first overseas project in 1973, Daelim has expanded its global presence in based on its technical expertise and successful delivery of projects in oil and gas, oil refining, and petrochemical and power plant industries.

Daelim recent project completions

A list of recent projects completed by Daelim is below and showcases not only DL E&C's international prominence and ability to deliver large infrastructure projects, but also indicates that the LCUP is a project of the scale and complexity that Daelim can deliver.

Project Description	Owner / Location	Work Scope	Project Period
Ras Laffan Petrochemical Project - HDPE 1,650,000 MTY / Utilities & Offsite	CPChemical and Qatar Petroleum / Qatar	FEED	Jan. 2020 Nov. 2021
Baltic Gas Chemical Complex - Polyethylene 6 x 500,000 MTY / Butene-1: 60,000MTY / Hexene-1: 50,000MTY	JSC RusGasDobycha / Russia	FEED	Dec. 2019 Dec. 2020
Lotte BP C-Project - CO Plant revamping / POX Unit / Syngas adjustment system (membrane)	Lotte BP Chemical / Korea	FEED	Dec. 2019 Jun. 2020
Formosa Sunshine Project - PP 300,000 MTY x 2	Formosa (FG LA LLC) / Louisiana, USA	FEED	Jul. 2019 Mar. 2020
USGC-II Project - HDPE 2 x 1,000,000 MTY	CPChem / Texas, USA	FEED + EPC	Mar. 2019 Feb. 2024
Amiral PIB Project - HRPB 80,000 MTY	DL Chemical / Saudi Arabia	FEED	Jan. 2019 Nov. 2019
Heavy Feed Petrochemical Complex - FEED - Ethylene 821,000 MTY / Propylene: 416,000 MTY / BD 145,000 MTY - Including downstream polymer units : LDPE, HDPE, LLDPE, PP	Hyundai Chemical Co. / Korea	FEED + EPC	Aug. 2018 Oct. 2019
ACN-NaCN Project - ACN : 200,000 MTY / NaCN : 40,000 MTY	SHROUQ (SABIC / Asahi Kasei / Mitsubishi) / Al-Jubail, Saudi Arabia	FEED	Aug. 2012 May. 2013
Petron Refinery Master Plan – Phase 2(RMP-2) - Large scale refinery with 18 process units	Petron Corp. / Bataan, Philippines	BE(U&O) + EPC	Dec. 2010 Sep. 2013
EuroChem Methanol Project - MeOH 8,000MTPD / Utilities & Offsite	EuroChem North West-3 LLC / Russia	FEED	Dec. 2020 Nov. 2021

PLANT BUSINESS 1

PETROCHEMICAL & REFINERY



- 1 **S-Oil Residue Upgrading Complex Project, South Korea**
(JUN 2016 – JUN 2018)
The largest ever construction of a single plant ordered in Korea with a total project cost of KRW 4,890 billion (USD 3.6 billion). A facility that converts residual oil remaining after extracting gas, light oil, etc. from crude oil into high-value-added products such as propylene and gasoline.
- 2 **Sohar Refinery Improvement Project, Oman**
(NOV 2015 – MAR 2017)
Contracted at KRW 210 billion.
- 3 **Gulfair Handling Facilities (Revamp & New) Project at MAA Refinery, Kuwait**
(JUL 2013 – MAR 2016)
Contracted at KRW 190 billion.
- 4 **Petron Refinery Master Plan Phase 2 (RMP-2), Philippines**
(NOV 2011 – JUN 2014)
The largest project in Southeast Asia, Contracted at KRW 170 billion.
- 5 **Yanbu Export Refinery Project PKG 3, Saudi Arabia**
(JUL 2010 – OCT 2014)
Contracted at KRW 140 billion.
- 6 **Umm Wu'ail EPC Project - Ammonia Plant, Saudi Arabia**
(JUN 2010 – NOV 2016)
The world's largest ammonia plant.
- 7 **JG Summit MCC Project, Philippines**
(SEP 2010 – MAR 2014)
The first MCC project in Philippines.



This announcement is approved by the Board of Leigh Creek Energy Limited.

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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.

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 from 2022**, 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.

The LCUP will be developed in 2 commercial stages:

Stage 1 consists of:

1. Construction of gasification wells to provide energy (syngas) for the project; and
2. 5 MW gas fired power generation.

Stage 2 consists of:

1. Expansion of gasification fields;
2. 100MW gas fired power generation;
3. Ammonia facility;
4. Urea facility; and
5. Logistics, loading and transport.