



1,153 PJ 2P RESERVE

LCK

TELFORD BASIN

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

Reserve (PJ)

2P 1,153.2 **3P** 1,608.3

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

Achievements



Activity notification approval –
Pre-Commercial Demonstration
Facility (PCD) operations



**Completed PCD operations and
decommissioned**

Environment



Continuous groundwater and soil
vapour monitoring

Ongoing flora and fauna studies

No reportable environmental incidents
and all government requirements met

Community benefit



Room nights
Copley + Leigh Creek: **1,075**



Economic benefit
to local community: **\$785,000**



Economic benefit for
South Australia: **\$12 million**

PCD Plant



Total hours worked onsite: **31,333**

Safety



PCD safely operated

No reportable safety incidents

Lost time incidents/injuries: **0**

Corporate overview

Listed on the Australian Stock Exchange - ASX code: LCK

Licence: Petroleum Exploration Licence 650 (PEL 650)

Head Office: Adelaide, South Australia

Project Location: Telford Basin, Leigh Creek Coalfield - Leigh Creek, South Australia

Operation: Leigh Creek Energy Project

Project Stage: Stage 2 — Leigh Creek Energy Project

Leigh Creek Energy Project

Leigh Creek Energy (LCK) is an ASX listed energy company focussed on developing its Leigh Creek Energy Project (LCEP), located 550km north of the capital city 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 km² 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 environmentally sensitive areas or conservation reserves.

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 either be used to produce electricity directly or further refined into a variety of products including synthetic natural gas, ammonia, urea or methanol.

LCK's pathway to development of the LCEP is entering the third and final stage. Each stage requires careful planning and engineering, in addition to the necessary regulatory assessments and approvals:

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

Demonstration Phase - 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 - Conduct engineering and feasibility studies to support Demonstration Phase data for the deployment of a Commercial Operation. Options include; electricity production or further refining of syngas into a variety of products including synthetic natural gas, ammonia, urea, or methanol.

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

As part of the second stage of the LCEP's pathway to commercial development, LCK obtained information to inform the design for a potential commercial facility. This involved the establishment of a below ground single ISG gasifier chamber and the construction of an above ground plant. The PCD plant was commissioned and operated for just over three months, producing syngas and technical and environmental performance data for analysis, and was in the process of decommissioning at the end of the 2018/19 financial year.

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

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Telford Basin — a huge reserve to hinge our future operations



Aboveground demonstration plant (PCD) at Leigh Creek.

Chairman's letter



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

Our investment profile is changing and our company is becoming an attractive investment prospect for institutional, larger and long-term shareholders, as we have achieved all our commitments. As a result greater interest has been sparked with major gas companies and institutional investors as we continuously reach ever more important milestones.

We are very close to reaping the hard earned and richly deserved success. This is as a result of many years of hard work and having the determination to overcome any and all obstacles thrown at us in the last few years. As a result, we now find ourselves in the envious position of having a very large gas reserve which we will endeavour to monetise.

Leigh Creek Energy's (LCK) completion of the Pre-Commercial Demonstration Facility (PCD) and the subsequent large 2P reserve is generating great interest across both the resource and investment sectors. LCK's development of this proven technology now has eyes focused on our Company from all around the globe.

There still remains challenges and obstacles for LCK to deal with, but our track record in dealing with those challenges and obstacles, combined with a year of success means that we have what it takes to achieve the ultimate goal of long-term commercial ISG operations both in South Australia and internationally.

After an extraordinarily busy financial year began with all hands on deck, we received our final government approvals to begin our PCD operations.

Whilst our focus was firmly set on beginning our 90-day trial, as is the case with many mining and resource companies, a final-hour court injunction from the NSW Environmental Defenders Office on behalf of the Adnyamathanha Traditional Lands Association ultimately delayed initiation. Thankfully, the expertise, planning and risk mitigation from our legal team and staff saw the injunction quickly dismissed, and we were free to go ahead with operations.



LCK's achievements and growing status saw media attention over the past 12 months.

After clearing the way to commence the PCD, and the successful initiation of the PCD the mood and energy at LCK was once again very positive with both our Leigh Creek operational and Adelaide teams. However, as is the case with In-Situ Gasification operations, the process of producing syngas would and did take time, but with careful attention to process and detail we met all of our objectives.

Over the past year, we have supported businesses at Leigh Creek, Copley, Port Augusta and Adelaide. The accommodation, food and logistical requirements meant that business in Leigh Creek and Copley in particular benefitted from what has so far been the busiest period for the Company in the area.

LCK had the opportunity to continue building our valued relationship with China New Energy Ltd (CNE) our major shareholder, with a site visit and negotiations and now a recent HoA with CNE where we will take ISG to

China. This is an exciting development and one which has huge potential for LCK. We have also been working closely with and proposed Chinese strategic partners in Australia namely China Communications Construction Company (CCCC) and Shanghai Electric (SEC).

As I mentioned at the time, to have such large internationally renowned companies in Adelaide was a great opportunity for LCK and the state to showcase the project and demonstrates how significant world players are excited about our project, technology and potential.

The company has well positioned itself for the future having unveiled the path towards commercial operation, a template for the ISG safety and environmental regulatory approval process and a huge gas reserve to underwrite our future operations.



Then, as we entered Q4 2018, LCK reached its most significant achievement to date in producing its first gas at our PCD. The next step for operations on site was to produce quality syngas – a product with a chemical makeup offering potential for low-cost feedstock for high-value ammonia, urea products and pipeline gas.

We achieved this, followed soon after with confirmation that the gas was also being produced in commercial quantities. The validation of the technology on site unlocked a very productive quarter for LCK, which featured a Heads of Agreement with Africary for potential leasing of the PCD plant once decommissioned, and an oversubscribed rights issue.

The beginning of 2019 marked another significant achievement for LCK, when the company announced the PCD's success in accomplishing all five pre-operational objectives – produce syngas consistently, produce over 1m cubic feet/day, capture information required for PRMS 2P reserve upgrade, demonstrate safe and environmentally responsible ISG operations, and provide key data for commercial project development. All these objectives were achieved.

This was vital for securing the Company's 1153 PJ 2P reserve certification, validated by Denver-based MHA Petroleum Consultants, unequivocally representing Eastern Australia's largest undeveloped and uncontracted gas reserves. It cannot be understated how important the PCD's success was for the future of LCK. The 2P reserve, interest by Africary, invitation to the Shanghai Energy Exchange, HoA with China New Energy, an agreed pathway to commercial approvals with the regulator, were all dependant on the success of the PCD.

The company has now positioned itself for the future having unveiled the path towards commercial operation, a template for the ISG safety and environmental regulatory approval process and a huge reserve that supports a commercial project.

The achievement of a large 2P reserve of quality syngas has allowed LCK to push forward with negotiations with our potential strategic joint venture partners and has also allowed us to commence negotiation on gas offtake agreements in Australia.

LCK's past financial year has featured our greatest achievements to date and our most significant steps towards realising a goal set almost a decade ago. Those of us at LCK who were here at the beginning understood the enormity of the challenge we faced trying to commercialise an ISG project in Australia. But seeing the growth of the company and the high calibre of our people working towards the common goal, I am very comfortable in stating that we are closer than ever to achieving something significant and special for our company.

It certainly makes us excited.

I want to thank the dedicated employees at LCK, who continue to go above and beyond what they are required to do, taking this company forward. We move forward with great confidence and even more resolute to make the most of the opportunities we've created for LCK and the global ISG industry. Finally, I want to thank our shareholders, whose support has been vital in the past and remains vital for our company to go forward. We believe more than ever that your loyalty and our hard work will see us all enjoy the benefits of success.



Mr Daniel Justyn Peters
Executive Chairman



LCK's valued relationship with key stakeholder China Communications Construction Company (CCCC) continued with a site visit and collaboration talks during 2018.

Managing Director's report



The past 12 months saw many years' of hard work coming to fruition, with the most notable achievement being the successful operation of our Pre-Commercial Demonstration Facility (PCD) at Leigh Creek followed by the booking of the maiden 2P gas reserve of 1,153PJ.

Year of achievements

The PCD was initiated for the first time in October. The following months' saw us successfully achieve all the objectives of the PCD.

The outcome was made all the sweeter when reflecting on the hurdles our company has had to jump over to get to this point, and the hard work and dedication from everyone behind the scenes.

But the success also paved the way for our other major achievement of the year.

Perhaps the most significant moment for the company to date was the confirmation of our PRMS certification of 1,153 PJ 2P Reserve, and it came shortly after and as a direct result of the PCD's success.

LCK now has Australia's largest uncontracted 2P gas reserve available to Australia's East Coast market.

The Company's early plans outlined the importance of receiving a gas reserve certification at our Leigh Creek Energy Project. This we have achieved.

This reserve has led to substantial excitement around the company knowing it bridges the gap between LCK's exploratory status and becoming a fully-fledged developed/crucial energy company.

The size of our reserve and the resulting advantage LCK has over other junior gas and energy companies through SA and around the nation is obvious.

What next?

On the back of successful PCD operations, and substantial PRMS 2P reserve upgrade, LCK is now in a strong position to focus wholly on commercialising the Leigh Creek Energy Project (LCEP).

The PCD justified environmental and geographical approvals from the state government regulator, which releases the shackles of what is arguably perceived as one of the most challenging aspects of taking the LCEP to the commercial stage.

Our 1,153 PJ of 2P reserves means we have an embarrassment of riches, and the potential to commit to multi-billion-dollar decisions in the coming months.



We are now moving forward with commercial agreements, JV partners, offtake and financing. I understand the frustration that some shareholders feel, but these are multi billion dollar decisions. They take time. We will make the decisions in a mature way. We will make the right decisions with the right partners and the right product. We will get it right for the benefit of all shareholders.

These decisions will be made after the outcomes of competing options analysis over the course of 2019/2020 become clearer, which will determine our preferred commercial pathway between pipeline domestic gas, urea fertiliser, or both.

Unique brand, unique opportunities.

Our growing status as an emerging Australian energy company understates LCK's larger-scale increasing standing as an ISG world leader.

We are compiling the blueprint for commercial success using the technology we have developed in Australia, and as is often the case with new and unconventional technology, we must often face and solve issues subsequent developers don't have to deal with.

Perhaps most importantly, we have proven to the world that we have the technical skillset and unique approach to make ISG technology work on a commercial scale, which cement's our company's status as a world-leader and places us firmly on the global stage.

This is witnessed by the numerous approaches we have had from overseas. Whilst these projects may appear exciting in themselves we retain our absolute focus on the LCEP. The best identified site in the world.

Our management resources are limited and we will deploy them to be successful at the LCEP before we turn our attention to other opportunities.

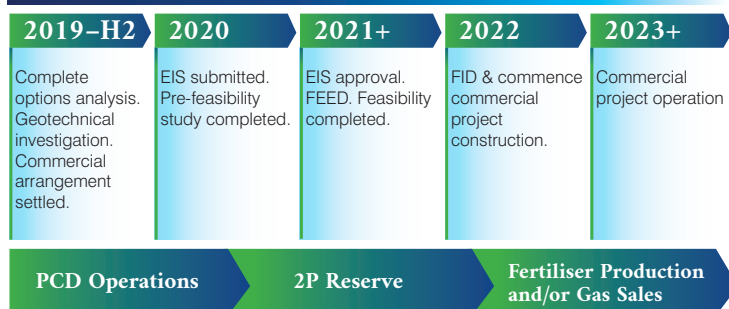
People focus

People are what make this happen. It will continue to be so as we aim to achieve more significant milestones on the way to commercialisation. I look forward to celebrating even more significant achievements with the team, our shareholders and supporters in the near future.

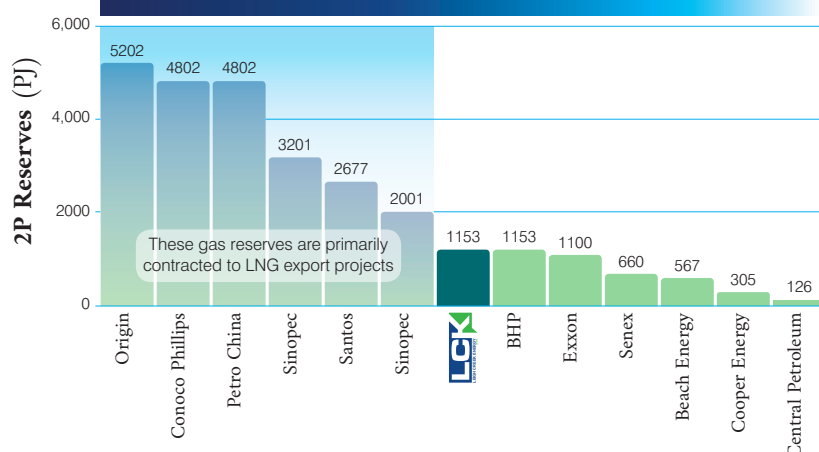


Mr Phil Staveley
Managing Director

Pathway to Commercial



Australian East Coast Gas 2P Reserves



Regulatory Approvals

- Final Activity Notification for PCD Operations received third quarter 2018

Project Financing

- \$3.86m Rights Issue to existing shareholders
- \$3.0m Issue of Convertible Notes
- \$1.25m Placement to existing shareholders
- \$3m Share Purchase Plan with existing shareholders



LCK had the opportunity to continue building our valued relationship with key stakeholder China Communications Construction Company (CCCC) during the year with a site visit and collaboration talks.



LCK signed a Heads of Agreement with African energy company Africary for potential leasing of the PCD plant once decommissioned.

Operations

- PCD initiated on 10 October 2018
- PCD successfully completed

Environment

- Continuous air quality monitoring throughout the PCD with no adverse findings
- Baseline flora and fauna studies to continue in 2019 for future studies
- PCD groundwater monitoring program was conducted throughout the trial with no adverse findings
- Groundwater and soil vapour monitoring continues through to 2022



It was a breakout year of achievements for our operations team on the ground at site, which oversaw the successful Pre-Commercial Demonstration.



Eastern Australia's largest undeveloped and uncontracted gas reserves

Stakeholder Relations

- Leigh Creek medical service funding
- Northern Flinders netball scholarship
- Copley & Districts Gymkhana sponsorship
- Copley Cricket Club sponsorship
- Blinman Gymkhana sponsorship
- Aroona Council Copley Christmas party sponsorship
- Continued maintaining relationships with all stakeholders



Leigh Creek Energy committed \$60,000 to Dr Clive Hume to keep his vital Leigh Creek doctor and pharmacy service operating during the year.



Leigh Creek Energy was a major sponsor for one of the region's only sporting club's, Copley Cricket Club, during its 2018/19 season.

Procurement

LCK managed PCD project costs by sound procurement and contract management governance and practices to:

- Ensure local construction contractors were used for the main PCD plant activities
- Develop local businesses' systems and processes to meet our contractual and operational standards
- Maintain a local team during operations and post PCD monitoring
- Record a 100% DIFOT (Delivery In Full On Time) with zero logistics non-productive time (NPT) to operations

Government Relations

- Continue maintaining relationships with the government



Tenement schedule

Petroleum and Mineral Tenement Schedule

Tenement	Percentage Interest	Grant Date	Location
Petroleum Exploration Licence 650	100%	18 November 2014	Leigh Creek
Petroleum Exploration Licence Application 582	100%	Application Approved	Finniss Springs
Petroleum Exploration Licence Application 643	100%	Application Approved	Callabonna
Petroleum Exploration Licence Application 644	100%	Application Approved	Roxby Downs
Petroleum Exploration Licence Application 647	100%	Application Approved	Leigh Creek
Petroleum Exploration Licence Application 649	100%	Application Approved	Oakdale
Gas Storage Exploration Licence 662	100%	5 February 2016	Leigh Creek

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
ISG Project Total			301.2	8.41	1.54	28.73	24.94



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) 2018	Coal Resources (Mt) 2019	Syngas Resource Classification	Syngas Energy (PJ) 2018	Syngas Energy (PJ) 2019
Petroleum Exploration Licence 650	Leigh Creek	Indicated	–	186.6	1P Reserves	–	–
		Inferred	376.6	114.6	2P Reserves	–	1,153.2
					3P Reserves	–	1,608.3
					1C Resources	2,747.7	–
					2C Resources	2,963.9	1,469.0
					3C Resources	3,303.1	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 qualified petroleum reserves and resources evaluators who are consultants to Leigh Creek Energy.

The Minerals Resource and Syngas Resource Statements in the 2019 Annual Report are reviewed by qualified consultants described below. For Mineral Resources, this is the qualified competent person, and for the Syngas Resources, the 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 by Mr 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 Australian 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 he is 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". Mr Smyth consents to the inclusion in the report of coal resources estimates based on his information in the form and 14 context in which it appears.

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 2019.

Directors

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

Daniel Justyn Peters
(appointed 28 November 2014)

Phillip Staveley
(appointed 5 December 2017)

Gregory English
(appointed 22 September 2015)

Murray Chatfield
(appointed 30 June 2016)

Zhe Wang
(appointed 1 July 2017)

Zheng Xiaojiang
(appointed 5 December 2017)

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

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

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

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

Zhe Wang B.Sc (Thermal Dynamics), M.Eng (Energy Engineering and Thermal Physics)

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 LCK by China New Energy, LCK's largest shareholder.

Other current listed directorships: None

Previous listed directorships (last three years): None

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 LCK by China New Energy, LCK's largest shareholder.

Other current listed directorships: None

Previous listed directorships (last three years): None

Company Secretary

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.

Principal activities

The principal activity of the Group was advancing the development of its Leigh Creek Energy Project (LCEP).

Review of operations and financial results

Leigh Creek Energy Project:

The Company continued its progress towards full regulatory approval, above and underground construction and subsequent operation of the Pre-Commercial Demonstration Facility (PCD) at the LCEP. PCD operation commenced in October 2018 and was completed and decommissioned by June 2019.

On 3 September 2018, the Company received its final Activity Notification approval for PCD operations, allowing the Company to commence operation, decommissioning and monitoring of the PCD. Following this approval, on 7 September 2018 the Company was served legal documents on behalf of the Adnyamathanha Traditional Lands Association seeking judicial review of government approval and seeking an injunction to prevent commencement of the PCD. On 19 September 2018 the South Australian Supreme Court dismissed the application for an injunction and the Company was able to proceed with the project. The application for judicial review was also dismissed and announced to the market on 17 October 2018.

On 11 October 2018, the Company announced the successful initiation of the gasifier and the production of first syngas at the PCD, and announced successful production of commercial syngas on 18 February 2019, with the objectives of the PCD having been achieved.

The PCD operation was able to:

1. Produce syngas comprising Methane, Hydrogen, Carbon Monoxide and Nitrogen
2. Produce syngas at over 1 million cubic feet per day
3. Capture information required to upgrade the SPE-PRMS 2C resource to 2P reserve
4. Demonstrate that LCK can operate the gasifier safely and in an environmentally responsible manner
5. Provide key data and information for the development of the commercial project.

The Company then announced the receipt of a PRMS certification of 1,153 PJ 2P on 27 March 2019.

On 25 June 2019, the Company announced the completion of the process to cease operations, shutdown and preserve the plant and facilities associated with the PCD. On completion of shutdown the Company confirmed that there were no reportable incidents at the site, confirming that the process was operated and shutdown in a safe, regulated and controlled manner. The Company's monitoring regime commenced and to date also confirms no environmental impacts or safety issues from the PCD within its zone of operation.

Finance and Corporate:

The consolidated operating loss of the financial year to 30 June 2019 was \$9,534,857 (2018: (\$6,018,850)). Expenditure incurred on the LCEP capitalised as Exploration expenditure, net of 2017/18 R&D tax offset rebates received (\$9,010,220) and R&D rebates receivable for 2018/19 (\$6,363,118) was \$8,625,766 (2018: \$10,414,426).

The Company has a 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 LCK 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 LCK extended the Facility to December 2019 and the facility limit was increased to \$10.5m. Following receipt of the 2017/18 ATO rebate and clean down of the Facility the limit decreased to \$4m to match anticipated 2018/19 tax rebates. A total of \$3,870,000 was drawn under the extended facility as at 30 June 2019.

In July 2018, the Company completed a Share Purchase Plan, offering eligible shareholders the opportunity to purchase up to \$15,000 of shares at \$0.16 per share. On 20 July 2018 the Company issued 9,510,000 new ordinary shares in accordance with the Share Purchase Plan, and the unsubscribed balance of 9,240,000 ordinary shares was placed and issued to shareholders on 30 July 2018.

On 17 December 2018, the Company announced a \$5.14m capital raise consisting of a \$1.28m placement and a non-renounceable rights issue providing eligible shareholders with the opportunity to buy one new share in the Company for every fifteen shares held, at 12 cents per share. On 7 February 2019, the Company announced additional funding to the rights issue, with the issue of convertible notes with a face value of \$3,000,000 and fixed conversion price of 12 cents per share. Following successful PCD operations, the rights issue closed on 28 February 2019, and 15,535,591 shares were issued on 7 March 2019 under the offer, and 16,610,133 oversubscribed shortfall shares were issued on 19 March 2019. The convertible notes were converted and issued as shares on 3 April 2019, which included interest payable as shares totalling \$1,818,013, in addition to a placement fee payable in shares worth \$397,500.

On 16 January 2019 the Company announced the execution of a Heads of Agreement with African Carbon Energy Pty Ltd, providing the framework for agreements to enable the Company's PCD plant and equipment to be leased by Africary, an option to purchase, and for the Company to provide advisory services to Africary.

Following successful operations of the PCD, the Company advanced negotiations with potential strategic partners.

The Chairman's report contains further information on the detailed operations of the Group during the year.

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 1 August 2019 the Company completed a \$3.2 million capital raise with professional, sophisticated and institutional investors, with 14,322,222 ordinary shares issued on that day at a price of \$0.225 per share.

On 13 August 2019 the Company signed a Heads of Agreement with China New Energy Group Limited to develop in-situ gasification in China. The agreement establishes the process to develop a full commercial agreement, with a view to forming a joint venture company.

Directors' Report

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	13	13	5	5
P J Staveley	13	12	-	-
G D English	13	13	5	5
M K Chatfield	13	13	5	5
Z Wang	13	12	-	-
Z Xiaojiang	13	12	-	-

Unissued shares under 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	Number under option
14 October 2015	14 October 2019	\$0.21	1,000,000
14 October 2015	14 October 2020	\$0.25	1,000,000
1 December 2015	31 July 2020	\$1.50	1,000,000
1 December 2015	30 November 2020	\$0.30	7,340,000
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	306,000
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
Total			41,263,500

Options forfeited during the period up to and including the date of this report include 8,708,750 options.

Options granted during the period up to and including the date of this report to employees and consultants include 25,790,000 all with different expiry dates listed below.

Grant Date	Date of expiry	Exercise price	Number under option
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

During the year ended 30 June 2019, and to the date of this report 470,000 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.

Proceedings

The Company is not currently a party to legal proceedings brought against it or initiated by it at the date of this report.

Environmental issues

The Company and subsidiaries are required to comply with various Commonwealth and State environmental legislation in relation to its planned exploration activities and future development at the Leigh Creek site. 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.

Auditor's independence declaration

The Auditor's Independence Declaration for the year ended 30 June 2019 can be found on page 29 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.

Directors' Report

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 2018 AGM

Of the total valid available votes lodged, Leigh Creek Energy received 88.24% "yes" votes on its remuneration report for the 2018 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 engaged and sought benchmarking advice from remuneration consultants. In 2018 independent consultants were engaged to undertake market benchmarking to provide information on KMP remuneration.

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 Remuneration Committee 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:

		Short term benefits				Post-employment benefits		Share based payments		
Directors	Year	Directors Fees	Salary & wages	Other	Non-monetary benefits ¹	Super contributions	Termination benefits	Options ²		
Executive Directors										
D J Peters	2019	-	325,130	105,095 ⁷	3,713	20,155	-	190,404 ³	644,497	46%
	2018	-	309,790	-	4,402	27,470	-	4,723	346,385	1%
P J Staveley	2019	-	374,930	99,592 ⁷	-	19,555	-	190,404 ³	684,481	42%
	2018	-	324,877	-	3,926	28,268	-	13,792	370,863	4%
Non Executive Directors										
G D English	2019	50,000	-	-	-	4,750	-	-	54,750	-
	2018	50,000	-	-	-	4,750	-	-	54,750	-
M Chatfield	2019	50,000	-	-	-	4,750	-	-	54,750	-
	2018	50,000	-	-	-	4,750	-	-	54,750	-
Z Wang	2019	54,750	-	-	-	-	-	-	54,750	-
	2018	29,168	-	21,019	-	2,771	-	114,161	167,119	68%
Z Xiaojiang	2019	50,000	-	210,833 ⁴	-	4,750	-	-	265,583	-
	2018	28,782	-	115,000 ⁴	-	2,734	-	114,161	260,677	44%

Other key management personnel

J Haines ⁵	2019	-	472,208	-	1,003	20,985	22,431	30,913	547,540	51%
	2018	-	282,500	-	892	26,838	-	13,792	324,022	4%
M Terry ⁶	2019	-	34,680	-	-	3,641	3,833	30,913	73,067	42%
	2018	-	257,000	-	-	24,415	-	6,896	288,311	2%
Total	2019	204,750	1,206,948	415,520	4,716	78,586	26,264	442,633	2,379,418	
	2018	157,950	1,174,167	136,019	9,220	121,996	-	267,525	1,866,877	

Notes

- (¹) Non-monetary benefits include benefits provided to the KMP on which Fringe Benefits tax is paid.
- (²) In accordance with the Accounting Standards, remuneration includes a proportion of the fair value of the options granted or outstanding during the year. The notional value of options is determined as at the issue 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.
- (³) Options were granted to Executive Directors on 4 July 2018. The remuneration was approved by shareholders on 22 August 2018 at the Annual General Meeting. Under accounting rules, the options were expensed in the financial year based on the provisional grant date
- (⁴) Mr Xiaojiang provided consulting services during the year.
- (⁵) Mr Haines resigned effective 5 April 2019.
- (⁶) Mr Terry resigned effective 17 August 2018.
- (⁷) The following Short Term Incentives were approved by the Board on 20 June 2019 in recognition of achievements for the year ended 30 June 2019; Mr Peters \$105,095 and Mr Staveley \$99,592 both payable in shares subject to shareholder approval.

Directors' Report

Remuneration Report – audited

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	Salary & Super	Term of agreement	Notice period ¹
D J Peters	\$345,285	Ongoing	3 months
P J Staveley	\$394,485	Ongoing	6 months

Notes:

⁽¹⁾ Service agreements are presented as at 30 June 2019.

The options were provided at no cost to the recipients. All options expire on the earlier of the expiry date or cessation of the individual's employment (except retiring directors).

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
M Terry	1,000,000 ¹	2016

Notes:

⁽¹⁾ Mr Terry acquired 1,000,000 options with a grant date of 1 December 2015 with an employment condition, all of which cancelled on his resignation 17 August 2018.

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. Options granted during this financial year:

Name	Number granted	Grant date	Number vested	Vesting & first exercise date	Last exercise date
D J Peters ¹	2,500,000	22 August 2018	2,500,000	22 August 2018	3 July 2022
P J Staveley ¹	2,500,000	22 August 2018	2,500,000	22 August 2018	3 July 2022
Total	5,000,000				

Notes:

⁽¹⁾ Options were granted to Executive Directors on 22 August 2018. The remuneration was approved by shareholders on 22 August 2018 at the Annual General Meeting. Under accounting rules, the options were expensed in the financial year based on the provisional grant date.

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 2018 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 and unexercisable at the end of the reporting period
D J Peters ¹	750,000	2,500,000	-	-	3,250,000	3,000,000	-
P J Staveley ¹	2,000,000	2,500,000	-	-	4,500,000	4,000,000	-
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	-	2,000,000	-	-	2,000,000	2,000,000	-
Z Xiaojiang ²	-	2,000,000	-	-	2,000,000	2,000,000	-
J Haines	2,000,000	400,000	-	-	2,400,000	1,900,000	-
M Terry ^{3,4}	1,000,000	400,000	-	(1,000,000)	400,000	400,000	-
Total	9,750,000	9,800,000	-	(1,000,000)	18,550,000	17,300,000	-

Notes

- (¹) Options were granted to Executive Directors on 22 August 2018 and approved by shareholders on 22 August 2018 at the Annual General Meeting. Under accounting rules, the options were expensed in the financial year based on the provisional grant date.
- (²) Options that form part of Non-Executive Director remuneration package were granted and approved by shareholders on 22 August 2018 at the Annual General Meeting, the value of \$114,161 recognised in 2018 Remuneration Report. Under accounting rules, the options were expensed in the financial year based on the provisional grant date.
- (³) Options were granted to Key Management Personnel on 18 July 2018. The remuneration was approved by shareholders on 22 August 2018 at the Annual General Meeting. Under accounting rules, the options were expensed in the financial year based on the provisional grant date.
- (⁴) Mr Terry acquired 1,000,000 options with a grant date of 1st December 2015 with an employment condition, all of which cancelled on his resignation 17 August 2018.

Number of Shares held by Key Management Personnel

Name	Balance at start of year	Granted as remuneration	Received on exercise	Other changes ¹	Held at the end of the reporting period
D J Peters ⁴	-	-	-	-	-
P J Staveley ²	550,000	-	-	136,667	686,667
G D English	-	-	-	-	-
M Chatfield ²	1,308,914	-	-	287,263	1,596,177
Z Wang	-	-	-	-	-
Z Xiaojiang ³	-	-	-	-	-
J Haines	-	-	-	-	-
M Terry	-	-	-	-	-
Total	1,858,914	-	-	423,930	2,282,844

Notes

- (¹) Other changes include purchases, sales or transfers during the financial year.
- (²) M Chatfield and P Staveley both acquired shares under the NRRI in March 2019.
- (³) Z Xiaojiang has an interest in 45,831,347 shares held by Crown Ascent Development Limited due to having a 25% interest in Crown.
- (⁴) Justyn Peters close family members hold 4,843,433 shares. Mr Peters does not have any interest in these shares.

Directors' Report

Remuneration Report – audited

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 \$46,255 (2018: \$82,909) for legal services rendered to the Group. Greg English is a partner at Piper Alderman lawyers;

ARK Energy Ltd had a service agreement in place with the Company for facilities and accounting services. Fees rendered to the Company were \$9,432 (2018: \$14,700);

Investment Company Services Pty Ltd were paid \$45,509 (2018: \$60,116) for providing investor relations services to the Group. The party is related to Mr Peters, Executive Chairman;

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. Mr Xiaojang is a Director of Crown Ascent and non-executive director of Leigh Creek Energy. Mr Xiaojang provided consulting services during the year totalling \$210,833.

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 2019 has been received and is included in this report.

Signed in accordance with a resolution of the Board.



D J Peters
Director

Dated at Adelaide, South Australia this 28th day of August 2019

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 Council's Corporate Governance Principles and Recommendations (4th 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

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 2019 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 Regulations 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 2019.
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 2019



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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 2019, 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 28 August 2019

Grant Thornton Audit Pty Ltd 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 2019

	<i>Notes</i>	2019 \$	2018 \$
Other income	2a	13,455	55,000
Other expenses	2b	(3,054,725)	(2,711,097)
Depreciation of property, plant and equipment		(59,116)	(39,951)
Employee benefits expense	11	(4,385,866)	(3,192,731)
		(7,486,252)	(5,888,779)
Finance income	3a	114,430	180,645
Finance costs	3b	(2,163,035)	(310,716)
Loss before income tax		(9,534,857)	(6,018,850)
Income tax benefit	4	-	-
Loss for the year after income tax		(9,534,857)	(6,018,850)
Total other comprehensive income		-	-
Total comprehensive (loss) for the year		(9,534,857)	(6,018,850)
Earnings per share			
Basic (cents per share)	20	(0.02)	(0.02)
Diluted (cents per share)	20	(0.02)	(0.02)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$	2018 \$
Assets			
Current			
Cash assets	5	3,057,383	9,323,648
Trade and other receivables	6	6,524,077	9,359,171
Other financial assets		-	142,434
Total Current Assets		9,581,460	18,825,253
Non-current			
Property, plant and equipment	7	412,699	282,658
Exploration and evaluation expenditure	8	25,025,917	16,400,151
Total Non-Current Assets		25,438,616	16,682,809
Total assets		35,020,076	35,508,062
Liabilities			
Current			
Trade and other payables	9	767,908	5,757,263
Borrowings	10	3,989,012	3,830,000
Employee entitlements	11	517,416	538,584
Total Current liabilities		5,274,336	10,125,847
Total liabilities		5,274,336	10,125,847
Net assets		29,745,740	25,382,215
Equity			
Equity attributable to owners of the parent:			
Share capital	12	71,000,050	58,327,054
Share option reserve	13	2,581,728	1,802,721
Retained losses		(43,836,038)	(34,747,560)
Total equity		29,745,740	25,382,215

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	Share capital \$	Retained losses \$	Share option reserve \$	Total equity \$
Balance 1 July 2018	58,327,054	(34,747,560)	1,802,721	25,382,215
Total comprehensive income				
Total profit or (loss)	-	(9,534,857)	-	(9,534,857)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(9,534,857)	-	(9,534,857)
Transactions with members in their capacity as owners:				
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)	-
Total transactions with owners	12,672,996	446,379	779,007	13,898,382
Balance at 30 June 2019	71,000,050	(43,836,038)	2,581,728	29,745,740

	Share capital \$	Retained losses \$	Share option reserve \$	Total equity \$
Balance 1 July 2017	41,100,034	(28,728,710)	1,456,144	13,827,468
Total comprehensive income				
Total profit or (loss)	-	(6,018,850)	-	(6,018,850)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(6,018,850)	-	(6,018,850)
Transactions with members in their capacity as owners:				
Issued of share capital (net of costs)	17,227,020	-	-	17,227,020
Employee share based payment options	-	-	346,577	346,577
Total transactions with owners	17,227,020	-	346,577	17,573,597
Balance at 30 June 2018	58,327,054	(34,747,560)	1,802,721	25,382,215

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Sundry income received		10,000	55,000
Interest paid		-	-
Interest received		136,203	180,610
R&D rebates received		9,010,220	2,173,372
Payments to suppliers and employees		(5,824,137)	(5,543,770)
Net cash (used in) operating activities	16(b)	(3,332,286)	(3,134,788)
Cash flows from investing activities			
Purchase of property, plant & equipment		(189,158)	(110,637)
Proceeds from disposal of assets		3,455	-
Capitalised exploration costs		(20,081,822)	(15,394,967)
Net cash (used in) investing activities		(20,267,525)	(15,505,604)
Cash flow from financing activities			
Issue of shares		11,290,874	18,414,559
Share issue transaction costs		(435,891)	(1,187,540)
Proceeds from borrowings		3,989,012	4,170,000
Payment of borrowing costs		(345,022)	(240,766)
(Repayments) of borrowings		(3,830,000)	(1,950,000)
Net cash from financing activities		10,668,973	19,206,253
Net change in cash and cash equivalents		(6,266,265)	565,861
Cash and cash equivalents, beginning of year		9,323,648	8,757,787
Cash and cash equivalents, end of year	16(a)	3,057,383	9,323,648

The accompanying notes form part of these financial statements.

1. 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 2019 were approved and authorised for issue by the Board of Directors on 28th August 2019.

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 2019. 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 17 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 2018. Information on the more significant standards is presented below.

(i) AASB 15 Revenue from Contracts with Customers

AASB 15 provides new guidance for determining when the Group should recognise revenue. The new revenue recognition model provides a single model for accounting for revenue arising from contracts with customers and is effective for annual periods beginning on or after 1 January 2018.

AASB 15 replaces AASB 118 Revenue and several other revenue related interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue.

The new standard has been applied as at 1 July 2018. There is no impact to the Group's historical financial results given the Group is not currently in production.

(ii) AASB 9 Financial Instruments

The AASB issued AASB 9 Financial Instruments, which covers classification and measurement of financial assets and financial liabilities and introduces an 'expected credit loss' model for impairment of financial assets.

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and is effective for annual period beginning on or after 1 July 2018.

1. Summary of significant accounting policies continued

d. Changes in accounting policy continued

The table below shows the classification of each class of financial assets and liabilities under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Carrying classification	AASB 9 Carrying classification	AASB 139 Carrying Amount \$	AASB 139 Carrying Amount \$
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	9,359,171	9,359,171
Financial liabilities				
Borrowings	Amortised cost	Amortised cost	3,830,000	3,830,000

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods.

Accounting standards issued but not yet effective and not been early adopted by the Group

The accounting standards that have not been early adopted for the year ended 30 June 2019, but will be applicable to the Group in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future reporting periods, however they have been considered insignificant to the Group.

Standard / Interpretation	Nature of change	Effective for annual periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	Requires all leases to be accounted for 'on-balance sheet' for lessees other than short-term and low value asset leases.	1 January 2019	30 June 2020

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be a minor increase in lease assets and financial liabilities recognised on the balance sheet
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses

- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

As per Note 14, the Group's commitments relating to operating leases for the 2020 financial year is \$193,877 and \$8,044 beyond 1 July 2020, the group does not believe the adoption of this standard will materially impact the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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.

1. *Summary of significant accounting policies continued*

g. *Goods and Services Tax (GST)*

Income, 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*

Unless otherwise required by an accounting standard comparative information is disclosed in respect of the previous corresponding period, including for narrative and descriptive information. To the extent that items are amended or reclassified comparative amounts are also amended or reclassified. Prior period errors are retrospectively corrected in the next financial report following discovery.

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

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 11

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.

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).

	2019 \$	2018 \$
a) Other income		
Grants	-	55,000
Tenement option	10,000	-
Disposal of fixed assets	3,455	-
Total other income	13,455	55,000
b) Other expenses		
Accounting and audit	185,384	164,948
Communications costs	51,680	52,292
Corporate advisory	591,815	574,330
Software & other	54,176	47,619
Consulting and legal expense	524,357	428,627
Insurance	123,136	110,704
Investor relations	178,829	259,169
Listing & registry fees	143,788	118,708
Occupancy expense	375,985	358,753
Printing and office supplies	47,838	52,840
Travel and accommodation	334,429	298,503
Sundry	443,308	244,604
Total other expenses	3,054,725	2,711,097

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.

	2019 \$	2018 \$
a) Finance income		
Interest earned	114,430	180,645
Total finance income	114,430	180,645
b) Finance costs		
Interest paid	-	-
Amortised borrowing costs ¹	2,163,035	310,716
Total finance costs	2,163,035	310,716

¹ The Convertible Note included interest payable as shares totalling \$1,818,013, refer to Note 18.

4. Income tax

Accounting policy – income taxes

Deferred taxes are not recognised in the accounts. As the Group has significant carried forward tax losses, it does not have sufficient taxable temporary differences which will result in taxable amounts against which the unused tax losses can be utilised.

The amount of benefits which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the condition of deductibility imposed by the law.

Tax consolidation

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

	2019 \$	2018 \$
a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(9,534,857)	(6,018,850)
Prima facie tax (benefit) on loss before income tax at 27.5% (2018: 27.5%)	(2,622,086)	(1,655,184)
Permanent differences:		
Entertainment non deductible	13,899	16,687
Share based payments	203,812	95,309
Fair value adjustment for investments	-	-
Movement in unrecognised tax assets and liabilities	(87,130)	666,949
Tax loss not recognisable	2,491,505	804,335
Under/(Over) provided in prior year	-	71,904
Aggregate income tax expense	-	-
b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised		
Revenue losses	17,736,240	16,775,866
Capital losses	78,404	50,729

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 include cash on hand, deposits held at call and term deposits with banks.

Cash and cash equivalents

	2019 \$	2018 \$
Bank balances	324,259	1,087,392
Term deposits ^{1, 2}	2,733,124	8,236,256
Cash and cash equivalents in the statement of cashflows	3,057,383	9,323,648

Notes:

¹ Includes \$770,735 of restricted cash to support a bond and credit card facility.

² Term deposits comprise cash balances with an original maturity of less than three months.

6. Trade and other receivables

Accounting policy – Trade and other receivables

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

	2019 \$	2018 \$
Trade debtors	12,032	9,433
GST recoverable	52,030	250,165
Prepayments	78,589	51,697
R&D tax incentive receivable	6,363,118	9,010,220
Other debtors	18,308	37,656
Total Trade and other receivables	6,524,077	9,359,171

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 the profit or loss with Other Income or Other Expenses.

	2019 \$	2018 \$
Cost		
Balance at 1 July 2018	624,066	506,172
Additions	218,466	117,894
Transfers	-	-
Disposals	(53,523)	-
Balance at 30 June 2019	789,009	624,066
Accumulated depreciation & impairment		
Balance at 1 July 2018	341,408	285,452
Impairment balance	-	-
Depreciation	88,425	56,016
Transfers	-	-
Impairment movement	-	-
Disposals	(53,523)	(60)
Balance at 30 June 2019	376,310	341,408
Carrying amounts		
At 1 July 2018	282,658	220,720
At 30 June 2019	412,699	282,658

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.

	2019 \$	2018 \$
Balance at opening	16,400,151	5,985,725
Licence fees	7,518	8,748
Costs capitalised for Feasibility Studies	964,374	916,489
Costs capitalised for LCEP	14,016,992	18,537,324
Less R&D tax concession rebates	(6,363,118)	(9,048,135)
Total exploration and evaluation expenditure	25,025,917	16,400,151

During the year the Company applied for R&D Tax Incentives through AusIndustry in relation to eligible research expenditure incurred during 2018/19 for the Leigh Creek Energy Project. The tax incentive received during the year is a refundable tax credit and has been credited to Exploration and Evaluation capitalised expenditure (\$9,010,135). Additionally, the Company has booked a receivable (\$6,363,118) in relation to eligible R&D expenditure for the period up to and including 30 June 2019 which has been reviewed externally to ensure it is in accordance with the relevant criteria.

9. Trade and Other Payables

Trade and other payables consist of the following:

	2019 \$	2018 \$
Trade payables	373,428	1,410,581
Other payables	57,533	53,594
Accruals	336,947	4,293,088
Total Trade and other payables	767,908	5,757,263

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.

	2019 \$	2018 \$
Current		
Loan	11,105	-
R&D working capital facility	3,870,000	3,830,000
Total current borrowings	3,881,105	3,830,000
Non-current		
Loan	107,907	-
Total borrowings	3,989,012	3,830,000
Loans		
R&D working capital facility – available	4,000,000	6,500,000
R&D working capital facility – undrawn	(130,000)	(2,670,000)
Loans - drawn	3,870,000	3,830,000
Less: unamortised transaction costs	-	-
Carrying amount at 30 June 2019	3,870,000	3,830,000

The Company has a working capital facility with the Commonwealth Bank of Australia (CBA) to bring forward access to refundable R&D tax concessions. This has provided LCK 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 LCK extended the Facility to December 2019 and the facility limit was increased to \$10.5m. Following receipt of the 2017/18 ATO rebate and clean down of the Facility the limit decreased to \$4m to match anticipated 2018/19 tax rebates. A total of \$3,870,000 was drawn under the extended facility as at 30 June 2019. The receivable due from the R&D rebate is \$6,363,118 for the year.

11. Employee remuneration*Employee benefits expense*

	2019 \$	2018 \$
Wages, salaries (inc on-costs)	2,970,417	2,651,217
Superannuation	190,063	194,937
Share based payments	1,225,386	346,577
Total employee benefit expense	4,385,866	3,192,731

Under the Company's Accounting for Exploration policy, labour costs relating to the LCEP are capitalised. The total staff cost was \$8,592,221 (2018 : \$5,759,766).

*Share based employee remuneration**Accounting policy – Share based payment plans*

Share based compensation benefits are provided to employees of the Company. The fair value of the options granted under the plan is recognised as an employee benefit expense with a corresponding increase in equity (Share Option Reserve). The fair value is measured at grant date and recognised over the period during which the employees become entitled to the underlying options.

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, the vesting and performance criteria and the non-tradeable nature of the option. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable.

(i) Number of options issued to employees during the year

	2019	2018
Outstanding at beginning of the year	16,352,250	16,445,000
Forfeited	(1,678,750)	(728,750)
Issued ¹	15,015,000	636,000
Exercised	-	-
	29,688,500	16,352,250

Notes:

¹ Excludes 4,000,000 director options and 1,000,000 company secretary options (related party) granted 18th April 2018, with issue subject to shareholder approval on 22nd August 2018.

11. Employee remuneration continued

(ii) Valuation assumptions

	Plan 1	Plan 2	Plan 3
Grant date	15 October 2015	1 December 2015	1 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) ⁵	70%	70%	70%
Fair value at issue date	\$0.08	\$0.02	\$0.04
Exercise price	\$0.21 ¹ , \$0.25 ²	\$1.50	\$0.30
Exercisable from	22 October 2015	31 July 2016 ³	31 July 2016 ³
Exercisable to	14 October 2020 ⁴	31 July 2020	30 November 2020

Notes:

¹ Exercise price for Tranche 1 was the greater of \$0.21 and 10% premium to the 5 day VWAP up to 26 May 2015.² Exercise price for Tranche 2 was the greater of \$0.25 and 20% premium to the 5 day VWAP up to 26 May 2015.³ 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.⁴ Tranche 1 expiry date is 14 October 2019, and Tranche 2 expiry date is 14 October 2020.⁵ A volatility curve was used for calculations.

	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) ³	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 ¹	10 October 2016	31 July 2018 ²
Exercisable to	30 November 2020	10 October 2021	30 November 2020

Notes:

¹ 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.² Options vest at 33% per year on 31 July 2018, 31 July 2019 and 31 July 2020 if vesting conditions are achieved.³ A volatility curve was used for calculations.

	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) ³	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 ¹	18 January 2019 ²	18 July 2018 ³
Exercisable to	17 April 2023	3 July 2022	15 July 2022

Notes:

¹ Options vested at issue date.² Options vested at issue date.³ Options vested at issue date.⁴ A volatility curve was used for calculations.

11. *Employee remuneration continued**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.

	2019 \$	2018 \$
Liability for annual leave	312,729	288,019
Provision for bonus	204,687	250,565
Total employee benefit liability	517,416	538,584

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.

The company has granted unlisted options to employees in respect of their employment contracts. The fair value of the options granted is recognised as an employee benefits expense with a corresponding increase in equity (Share Option Reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to exercise the option. Fair value is determined by the use of a Trinomial option pricing model.

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.

	2019 \$	2018 \$
548,143,421 (2018: 452,780,603)		
Ordinary shares	74,930,077	61,423,690
Share issue costs	(3,930,027)	(3,096,636)
Total issued capital	71,000,050	58,327,054

12. *Issued capital continued*

Additional shares were issued during 2019 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 2018		452,780,603		58,327,054
Share issue	20 July 2018	9,510,000	\$0.16	1,521,600
Share issue	30 July 2018	9,240,000	\$0.16	1,494,400
Share issue	21 December 2018	10,636,668	\$0.12	1,276,387
Share issue	7 March 2019	15,535,591	\$0.12	1,864,271
Share issue	19 March 2019	16,610,133	\$0.12	1,993,216
Convertible note	3 April 2019	33,360,426	\$0.15	5,215,513
Options exercised	16 April 2019	470,000	\$0.30	141,000
Share issue costs				(833,391)
Issued capital		548,143,421		71,000,050

Unlisted options

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

Expiry date	Exercise price	Number of shares
20 July 2019	\$0.30	1,030,000
14 October 2019	\$0.21	1,000,000
14 October 2020	\$0.25	1,000,000
31 July 2020	\$1.50	1,000,000
30 November 2020	\$0.30	7,340,000
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	306,000
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
Total		42,293,500

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).

12. *Issued capital continued**Listed options*

A number of listed options (17,687,463 at an exercise price of \$0.50) were issued as part of the prospectus for the capital raising finalised in May 2016. These options lapsed unexercised on the 6th June 2018 and as such 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 that the Group can fund the development of its operations.

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.

	2019 \$	2018 \$
Share option reserve	2,581,728	1,802,721
Total reserves	2,581,728	1,802,721

A breakdown of the share option reserve is as follows:

	No of Options	2019 \$
Directors	10,750,000	630,010
Employees	9,011,000	681,018
Former employees	9,927,500	478,966
Consultants	12,605,000	753,860
Total	42,293,500	2,543,854

14. Commitments for Expenditure*Accounting policy - operating leases*

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The Company does not have any leases over property, plant or equipment where lease arrangements would be classed as finance leases.

	2019 \$	2018 \$
Operating lease commitment		
Not longer than 1 year	193,877	249,261
Longer than 1 year and not longer than 5 years	8,044	12,529

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) outstanding at balance date.

	2019 \$	2018 \$
Leigh Creek Energy Project	93,720	1,037,042

The company held bank guarantees with the Minister for Mineral Resources and Energy of \$184,000 dated 3 January 2018, and \$170,000 dated 7 May 2018, the Department of State Development of \$50,000 dated 13 July 2018, and Knight Frank of \$71,160 dated 30 September 2019. 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.

15. *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.

15. *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'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

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.

15. *Financial assets & liabilities continued**Categories of financial assets and liabilities*

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

Financial assets	Notes	Assets at fair value through profit or loss	Financial assets at amortised cost	Total
30 June 2019				
Trade and other receivables		-	6,524,077	6,524,077
Cash and cash equivalents	5	-	3,057,383	3,057,383
		-	9,581,460	9,581,460

Financial liabilities	Notes	Designated at fair value through profit or loss	Other liabilities (amortised cost)	Total
30 June 2019				
Current borrowings	10	-	3,870,000	3,870,000
Trade and other payables	9	-	767,909	767,909
		-	4,637,909	4,637,909

Financial assets	Notes	Assets at fair value through profit or loss	Financial assets at amortised cost	Total
30 June 2018				
Trade and other receivables	6	-	9,359,171	9,359,171
Cash and cash equivalents	5	-	9,323,648	9,323,648
		-	18,682,819	18,682,819

Financial liabilities	Notes	Designated at fair value through profit or loss	Other liabilities	Total
30 June 2018				
Current borrowings	10	-	3,830,000	3,830,000
Trade and other payables	9	-	5,757,263	5,757,263
		-	9,587,263	9,587,263

15. *Financial assets & 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, 2019, if interest rates on cash and term deposits had changed by ± 10 basis points from the year end rates with all other variables held constant post tax loss and total equity would have been \$15,363 more/less as a result of lower/higher interest income.

At June 30, 2019, if interest rates on borrowings had changed by ± 10 basis points from the year end rates with all other variables held constant post tax loss and total equity would have been \$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 1 year.

16. 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:

	2019 \$	2018 \$
Bank balances and short term deposits	3,057,383	9,323,648

The weighted average effective interest rate on bank deposits is 1.19% (2018: 1.36%). All deposits are for less than 12 months.

(b) Reconciliation of cash flow from operations with loss after tax

	2019 \$	2018 \$
Loss after income tax	(9,534,857)	(6,018,850)
Cash flows excluded from loss attributable to operating activities:		
Non-cash flows in operating loss		
Depreciation expense	59,116	39,951
Share based payments	1,225,386	346,577
Other revenue	(3,455)	-
Interest	2,163,035	-
Change in assets and liabilities		
Decrease/(Increase) in receivables / prepayments	9,340,645	(1,905,283)
Increase/(Decrease) in payables	103,584	4,162,733
Increase/(Decrease) in provisions	(21,167)	240,084
Net Cash (used in) / provided by operating activities	(3,332,286)	(3,134,788)

17. Parent Entity Disclosures*Investment in controlled entities*

Entity	Country of incorporation	Class of share	Interest Held	
			2019	2018
Bonanza Gold Pty Ltd	Australia	Ordinary	100%	100%
Leigh Creek Operations Pty Ltd	Australia	Ordinary	100%	100%

Parent entity information

	2019 \$	2018 \$
Parent Entity		
Asset		
Current assets	8,847,931	18,086,987
Non-current assets	25,199,744	11,560,147
Total assets	34,047,675	29,647,134
Liabilities		
Current liabilities	4,935,623	4,996,516
Non-current liabilities	107,907	-
Total liabilities	5,043,530	4,996,516
Equity		
Issued capital	69,390,809	56,717,813
Share option reserve	2,581,728	1,802,721
Accumulated losses	(42,968,392)	(33,869,916)
Shareholder equity	29,004,145	24,650,618
Financial performance		
Profit (loss) for the year	(9,544,856)	(6,018,863)
Other comprehensive income	-	-
Total comprehensive income	(9,544,856)	(6,018,863)

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.

	2019 \$	2018 \$
Leigh Creek Operations Pty Ltd	93,720	1,037,042

18. 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:

	2019 \$	2018 \$
Total short term employee benefits	1,831,935	1,477,356
Total post-employment benefits	104,850	121,996
Share based payments	442,633	267,525
Total Remuneration	2,379,418	1,866,877

The amounts disclosed in the table are the amounts recognised as an expense during the reporting year.

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 \$46,255 (2018: \$82,909) for legal services rendered to the Group. Greg English is a partner at Piper Alderman lawyers;
- ii) ARK Energy Ltd had a service agreement in place with the Company for facilities and accounting services. Fees rendered to the Company were \$9,432 (2018: \$14,700);
- iii) Investment Company Services Pty Ltd were paid \$45,509 (2018: \$60,116) for providing investor relations services to the Group. The party is related to Mr Peters, Executive Chairman.
- iv) 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. Mr Xiaojiang is a Director of Crown Ascent and non-executive director of Leigh Creek Energy. Mr Xiaojiang provided consulting services during the year totalling \$210,833.

19. Auditor's Remuneration

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

	2019 \$	2018 \$
Auditing and review services	43,982	43,856
Other services	-	55,750

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

20. 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 loss per share at 30 June 2019 was based on the loss attributable to ordinary equity holders of \$9,534,857 (2018: \$6,018,850) and a weighted average number of ordinary shares outstanding during the 12 months of 433,286,469 (2018: 392,533,489).

The calculation of diluted loss per share at 30 June 2019 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. Potential ordinary shares relating to listed and unlisted options at 30 June 2019 totalled 42,293,500 (2018: 24,652,250).

	2019 \$	2018 \$
Loss used to calculate basic EPS	(9,534,857)	(6,018,850)
Basic earnings per share – cents per share	(0.02)	(0.02)
Diluted earnings per share – cents per share	(0.02)	(0.02)
Weighted average number of shares used as denominator		
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	433,286,469	392,533,489
Shares deemed to be issued for no consideration in respect of share based payments	42,293,500	24,652,250
Listed options issued for no consideration	-	-
Weighted average number of shares used in diluted earnings per share	475,579,969	417,185,739

21. *Matters Subsequent to the End of the Year*

On 1 August 2019 the Company completed a \$3.2 million capital raise with professional, sophisticated and institutional investors, with 14,322,222 ordinary shares issued on that day at a price of \$0.225 per share.

On 13 August 2019 the Company signed a Heads of Agreement with China New Energy Group Limited to develop in-situ gasification in China. The agreement establishes the process to develop a full commercial agreement, with a view to forming a joint venture company.

22. *Company Details*

The registered office and principal place of business is:

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Grant Thornton

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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 2019, 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 2019 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.

Grant Thornton Audit Pty Ltd ACN 130 913 594
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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
Exploration and evaluation assets – Note 8	
<p>At 30 June 2019, the carrying value of exploration and evaluation assets was \$25,025,917.</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"> • obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • reviewing management's area of interest considerations against AASB 6; • conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including: <ul style="list-style-type: none"> – tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed; – 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; – 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; • evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and • assessing the appropriateness of the related financial statement disclosures.

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 2019, 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.



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 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 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.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 in the Directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Leigh Creek Energy Limited, for the year ended 30 June 2019 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.

A stylized, handwritten signature of Grant Thornton in dark ink.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized, handwritten signature of I S Kemp in dark ink.

I S Kemp
Partner – Audit & Assurance

Adelaide, 28 August 2019

Shareholder information

Substantial shareholders at 7 August 2019

Name	Fully paid shares	Ordinary shares %	Options	Options %
China New Energy Group Limited	136,333,334	24.24	-	-
Crown Ascent Development Limited	45,831,347	8.15	-	-

Distribution of shareholdings at 7 August 2019

Number of security holders by size of holding:

Range	Total holders shares	Number of shares	Total holders listed options	Number of listed options
1 – 1,000	461	213,678	-	-
1,001 – 5,000	963	2,726,432	-	-
5,001 – 10,000	627	4,976,257	-	-
10,001 – 100,000	1,605	57,689,289	-	-
100,001 and over	557	496,859,987	-	-
Total	4,213	562,465,643	-	-

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.

At 7 August 2019 a marketable parcel constituted 2,000 shares. The number of shareholders holding less than a marketable parcel was 717 (593,208 shares).

Twenty largest shareholders at 7 August 2019

Name	Fully paid ordinary shares	% of issued capital
China New Energy Group Limited	136,333,334	24.24
Crown Ascent Development Limited	45,831,347	8.15
Citic Australia Pty Ltd	15,470,000	2.75
HSBC Custody Nominees (Australia) Limited - A/C 2	14,540,588	2.59
Rubi Holdings Pty Ltd <John Rubino S/F A/C>	13,516,584	2.40
Mr George Andrew Raftopoulos + Mrs Elizabeth Athena Raftopoulos <The Omega Super A/C>	12,430,563	2.21
Bart Properties Pty Ltd <Scott Flynn Family A/C>	8,900,000	1.58
Slade Technologies Pty Ltd <Embrey Family S/F A/C>	6,692,800	1.19
One Design & Skiff Sails Pty Ltd <I W Brown Super Fund A/C>	6,412,706	1.14
Littlejohn Embrey Engineering Pty Ltd	5,100,000	0.91
GS Group Australia Pty Ltd <GS Group Australia A/C>	4,821,197	0.86
River Property Investments Pty Ltd	3,806,754	0.68
Mr Bruce Warrington Holman	3,582,309	0.64
Hephzibah Pty Ltd <Butt Family Super A/C>	3,143,758	0.56
Mr Ryan Burke	3,088,000	0.55
Lawry Super Nominees Pty Ltd <Lawry Family Super Fund A/C>	2,884,493	0.51
Bart Properties Pty Ltd <Scott Flynn Family A/C>	2,844,444	0.51
Hephzibah Pty Ltd <The Butt Family A/C>	2,687,064	0.48
Martin & Alison Cromme Pty Ltd <Cromme Superfund A/C>	2,662,500	0.47
Mr Bruce Warrington Holman + Mrs Amanda Louise Holman <Holman Home Des S/F A/C>	2,646,531	0.47
Totals top 20	297,394,972	52.87
Total remaining holders balance	265,070,671	47.13

Unissued equity securities	Number
Unlisted options	42,293,500

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.



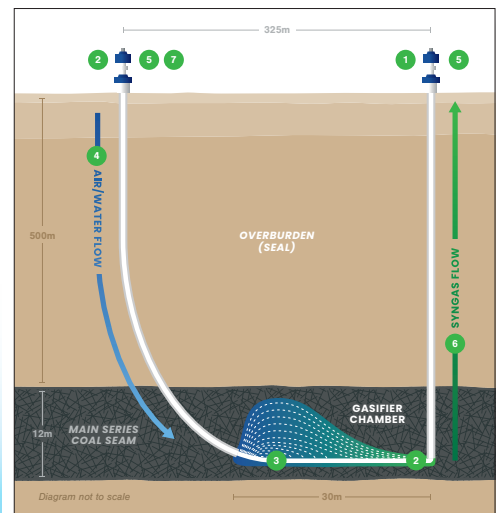
How does the ISG process work?

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.

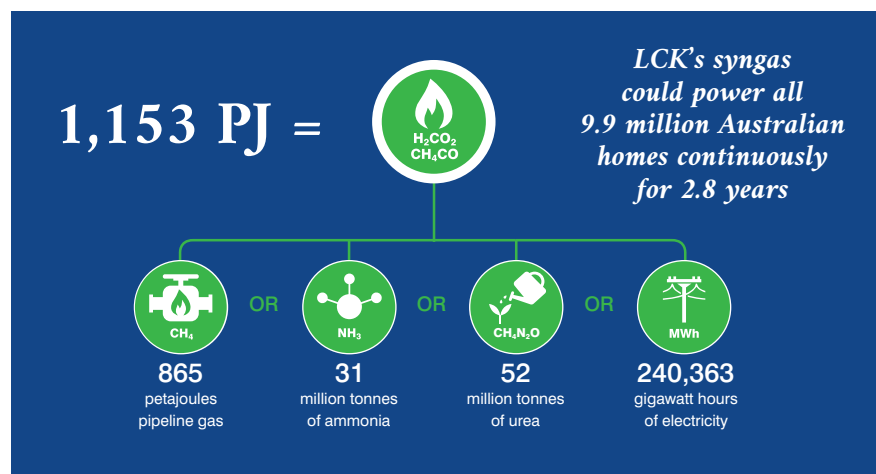
The size of the reserve indicates that LCK has multiple commercialisation paths, mainly the sale of synthetic natural gas in the Australian East Coast market and/or using the gas to manufacture ammonia-based fertiliser products.

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 (CH_4), Hydrogen (H_2), Carbon Monoxide (CO) and Nitrogen (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

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 Mehrtens

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