



31 January 2020

ASX ANNOUNCEMENT (ASX:LCK)

Quarterly Report 3 months to 31 December 2019

Highlights

- ✓ **Statement of Environmental Objectives for Geophysical Operations**
- ✓ **Annual General Meeting**
- ✓ **Tax Rebate Funds received**

Leigh Creek Energy Limited (“LCK” or “the Company”) is pleased to provide an update on LCK for the three months to 31 December 2019.

Statement of Environmental Objectives (SEO) for Geophysical Operations

LCK announced on 20 November 2019 that its SEO for additional geophysical operations was published in the SA Government Gazette by the Department for Energy and Mining (Regulator), on 14 November 2019.

The SEO allows LCK to proceed with the next steps in the acquisition of the necessary seismic data across LCK’s entire Petroleum Exploration Licence (PEL) 650 at Leigh Creek. This data will underpin design of subsurface gasifiers and all related gathering networks, and surface infrastructure to support the future commercial operations.

LCK has also submitted to the Regulator its Environmental Impact Report (EIR) and SEO for Exploration Drilling Operations across PEL 650.

LCK has completed the Biodiversity and Ecological survey which will be part of the EIS for the commercial operations and has also commenced a Water Study and is continuing the Traffic Studies required for the Upstream Development EIS submission. Investigation drilling will validate the seismic data interpretation to support commercial development activity planning.

Annual General Meeting

LCK held its Annual General Meeting for shareholders on 21 November 2019 in Adelaide, South Australia.

In his address to shareholders, LCK Chairman Justyn Peters highlighted several milestone achievements over the past 12 months:

1. PRMS Certification of 1,153PJ of 2P Reserve gas, becoming the largest undeveloped and uncontracted gas reserve available to the east coast of Australia;
2. Agreed pathway for commercial approval with Regulator;
3. Initial negotiations to form a Joint Venture with LCK major shareholder, China New Energy, had begun;

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4. Thyssenkrupp concept study confirming urea opportunity based on globally low production costs and disruptive technology;
5. Initial discussions for a major Gas Sales Agreement had begun.

Tax Rebate Funds received

LCK announced on 11 December 2019 that it had received the FY2019 Research and Development Tax Incentive cash rebate from the Australian Tax Office of \$6.4 million. The amount received from the ATO is the full amount claimed by the Company.

The rebate reflects the Company's ongoing commitment to research and developing world leading In Situ Gasification technologies to safely and responsibly commercialise its LCEP.

China Strategic Partner

Between Christmas and Chinese New Year, LCK executives have met with several Chinese State Owned Enterprises (SOE) with regards to a strategic partner for the LCEP. Those discussions were scheduled to continue at the end of January immediately after Chinese New Year but have now been postponed to February due to travel restrictions both in and out of China.

The terms of a potential joint venture agreement for the LCEP have been discussed and resources are being committed within China to progress a partnership. It should be noted that although these discussions are positive, transactions of this size do take time and again meetings scheduled for the end of January have now been postponed. Shareholders are thanked for their patience.

CNE Joint Venture

The joint venture over opportunities in China continues to be developed and several locations have been identified as being suitable and site evaluation work is taking place. It is expected that further progress will be made after the Chinese New Year and after travel restrictions are lifted for travel within China.

Gas Sales Agreement

Whilst discussions have been very positive and are ongoing, the positions of the parties are being reserved given the recent uncertainty in the gas markets generally and in particular the Federal Governments current discussions on gas reserves. Until the market is provided with certainty over how the Federal Government will deal with possible gas reserves it is very difficult to finalise any gas sales agreement.

Leigh Creek Oil & Gas Pty Ltd

As previously announced, LCK is looking at complimentary upstream oil and gas assets for entry as a non-operated Joint Venture partner. LCK continues to assess several opportunities in Onshore Australia that, if successful, will generate cash flow in the next 2-3 years.

During the quarter, LCK established a subsidiary company, Leigh Creek Oil & Gas Pty Ltd (LCOG). This company will be the entity used for potential conventional upstream oil & gas operations.

LCK is in the advanced stages of entering into a Farm In Agreement in two petroleum permits in Queensland, which, once executed will be held by LCOG.

Finance

As of 31 December 2019, the Company's total cash balance was AUD\$3.8 million.

A summary of the actual cash flows for the quarter and forecast cash receipts from financing activities for the December 2019 quarter are attached in the Appendix 5B.

Related party payments as reported in the Appendix 5B are regarding Executive and Non-Executive Director fees, and payments to Piper Alderman lawyers and Investment Company Services Pty Ltd.

Tenements

As of 31 December 2019, LCK holds a 100% interest in the licences listed below (all in South Australia), through LCK's wholly owned subsidiary Leigh Creek Operations Pty Ltd:

- Petroleum Exploration Licence 650; and
- Gas Storage Exploration Licence 662.

Leigh Creek Operations Pty Ltd also has the following licence applications in progress:

- Petroleum Exploration Licence Application 582;
- Petroleum Exploration Licence Application 643;
- Petroleum Exploration Licence Application 644;
- Petroleum Exploration Licence Application 647; and
- Petroleum Exploration Licence Application 649.

Managing Director's Commentary

Commenting on the Company's quarterly performance, LCK Managing Director Phil Staveley said:

"Progress in the December quarter focused on commercial activities for the LCEP. LCK's large gas reserve is bringing options to LCK and its shareholders. The Board and management are focused on realising the most productive options for the LCEP in order to maximise shareholder return. This is an ongoing, complex and lengthy process that is being progressively de-risked."

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

For further information, contact:

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About Leigh Creek Energy

Leigh Creek Energy Limited is an emerging energy company focused on developing its Leigh Creek Energy Project (LCEP), located in South Australia. The LCEP will produce pipeline quality gas and/or nitrogen fertiliser products from the remnant coal resources at Leigh Creek, utilising In Situ Gasification technologies, and will provide long term stability and economic development opportunities to the communities of the Upper Spencer Gulf, northern Flinders Ranges and South Australia.

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

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Resource Compliance Statement

We are not aware of any new information or data that materially affects the information included in the relevant market announcement dated 27 March 2019 and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

LEIGH CREEK ENERGY LIMITED

ABN

31 107 531 822

Quarter ended ("current quarter")

December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)		
(b) development		
(c) production		
(d) staff costs	(892)	(1,591)
(e) administration and corporate costs	(1,017)	(1,878)
1.3 Dividends received (see note 3)		
1.4 Interest received	9	18
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	6,387	6,387
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	4,487	2,936
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	5	13
(d) exploration & evaluation (if capitalised)	(398)	(1,201)
(e) investments		
(f) other non-current assets		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(393)	(1,188)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		3,223
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	18	(204)
3.5	Proceeds from borrowings	5	109
3.6	Repayment of borrowings	(3,914)	(3,935)
3.7	Transaction costs related to loans and borrowings	(60)	(118)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(3,951)	(925)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,737	3,057
4.2	Net cash from / (used in) operating activities (item 1.9 above)	4,487	2,936
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(393)	(1,188)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3,951)	(925)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	3,880	3,880

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	307	288
5.2	Call deposits	2,806	2,182
5.3	Bank overdrafts		
5.4	Other (Term deposits)	767	1,267
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,880	3,737

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

399

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Explanation:

Executive and Non-Executive Directors fees.

Piper Alderman lawyers were paid for legal services rendered to the Group. Non-Executive Director Mr Greg English is a partner at Piper Alderman lawyers.

Investment Company Services Pty Ltd were paid for investor relations advisory services rendered to the Group. Mr Boyd Peters, Managing Director of this company, is a related party of Mr Justyn Peters, Executive Chairman.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	1,500	-
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	1,500	-
7.5 Unused financing facilities available at quarter end		1,500
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
R&D working capital facility with Commonwealth Bank of Australia. The facility remains available until December 2020.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	4,487
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(398)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,307)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,880
8.5 Unused finance facilities available at quarter end (Item 7.5)	1,500
8.6 Total available funding (Item 8.4 + Item 8.5)	5,380
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2.33
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2020.

Authorised by: By the Board.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.