



Friday, 12 April 2019:

ASX ANNOUNCEMENT (ASX: LCK)

Boardroom Media Interview Transcript

Further to the announcement released on 10 April 2019, Leigh Creek Energy Limited (ASX: LCK) (“LCK” or “Company”) provides the following transcript of the Boardroom Media interview featuring Executive Chair Justyn Peters and Company’s Investor Relations Manager Tony Lawry.

The interview outlines the comparative size and monetary value of LCK’s recent reserve upgrade, detail on an independent company valuation and LCK’s next steps towards commercialising its asset.

The full audio interview can be found at Boardroom Media’s website:

<https://www.boardroom.media/broadcast?eid=5ca2da65fd76da0f45bdc483>

Appending this release is the full transcript of the interview conducted by Boardroom Media.

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Resource Compliance Statement

The resources estimates stated herein are based on, and fairly represent, information and supporting documentation prepared by Timothy Hower of MHA Petroleum Consulting, 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. A copy of the report by Mr Hower is attached to this announcement.

Boardroom Media Transcript

- Boardroom Media interview with Justyn Peters and Tony Lawry – released to ASX Wednesday, April 10, 2019 (12.30pm EST)

INTERVIEWER: *Leigh Creek Energy recently made what's been described as the company's biggest announcement to date revealing its 1153 petajoule upgrade reserve – can you give us some context to this?*

TONY: I'd like to perhaps open the batting there Bill. The recent announcement containing the classification of the 1153 petajoule gas reserve is possible because the company's pre-commercial demonstration plant, or as we like to call it – PCD, at Leigh Creek, which has been operating since last October, has been successful in that it produced all the targeted commercial gases at commercial flow rates. The 2P reserve certification confirms that the gas at the Leigh Creek Energy Project, or LCEP, is of considerable value, and is suitable for a commercial project. The potential volume of gas that can be produced from the project represents one of Eastern Australia's largest undeveloped and uncontracted gas reserves, especially if we remove the reserves contracted for Gladstone's LNG facilities. A recent valuation report independently based on the 1153 petajoules describes the gas reserves as gigantic. And for example, LCK's gas reserves are equal to that of BHP's. People will find that hard to believe, but this independent certification is based on extensive studies, laboratory testing of the gasification qualities of the Leigh Creek coal, and importantly verified by the production test at Leigh Creek, which we refer to as the PCD. Late in 2018, the Australian Consumer and Competition Commission indicated that LCK had slightly more gas at the Leigh Creek project site than is available to be produced in the whole of the Cooper Basin, which is about 450 kilometres north of Leigh Creek.

INTERVIEWER: *I notice on the ASX announcement there's a chart comparing gas companies. Can you give us some insight into that please?*

TONY: Yes Bill. I've always found that enterprise valued at a 2P ratio an interesting comparison. Before we talk about it, firstly we're not saying the LCK is directly comparable to the other companies in the analysis. But we are making the observation that at current share prices the market is valuing LCK's gas at 13 cents per gigajoule, compared to the market average at \$1.43. LCK's 13 cents per gigajoule is probably a bit higher now since our share price has risen since our maiden reserve announcement. But going back to that analysis and making the distinction between LCK and its peers, there are reasons for that. The peers for that most part are funded to production, are mature on multiple oil and gas producers, which have revenue from commercial production with off-take agreements. So we're not directly comparable, but the comparison does suggest that LCK is significantly undervalued. The most recent transaction that the market is aware of is the sale of the Ironbark project to the Australian Pacific LNG consortium. This was for \$231 million for 129PJ of 2P gas, which equates to a value per gigajoule of \$1.79. The difference between the \$1.79 per gigajoule from Ironbark and LCK's 13 cents provides some insight into LCK's upside potential.

INTERVIEWER: *The 1153 PJ reserve has 2P certification. You also received 3P and 2C certifications. Can you explain what that means?*

TONY: Yeah sure Bill. Firstly, the 'P' notation of 1P, 2P and 3P refers to proved, probably and possible reserves. And the distinction between the three categories refers to a risk assessment based on geological

considerations and commercial considerations. 2P is the most commonly-reported category. The 3P of 1469 petajoules and the 2C status of 1608 petajoules will be upgraded to 2P during commercial operations with more drilling and seismic exploration activity. We should also note that the PCD demonstrated commercial gas production from only one of the three coal seams located within the licence area. So as production tests are completed on the other seams, as well as exploration activity, the contingent resources category, notated by the 'C', can be moved in reserves. And lastly I should point out that the gas folding assessment confirms a 30-plus year project.

INTERVIEWER: This reserve is a syngas reserve – can you explain the advantages of having a syngas asset compared to straight natural gas?

TONY: Yeah, sure. Bill, syngas is a composite gas that can be converted to a number of products, such as natural gas, electricity, or a range of petrochemical products such as ammonia, urea fertiliser or hydrogen. All of these downstream products offer a positive financial outcome, but LCK is focussing its attention on synthetic natural gas, and/or urea at present, because both business models offer superior shareholder returns. There are also a range of non-financial considerations in the decision, such as the ammonia-to-urea option consumes carbon dioxide, which lowers the carbon footprint of the project.

INTERVIEWER: What does this announcement mean for the company?

JUSTYN: Thanks Bill. It always reminds me of the dental ads when they say that they're truly excited, and for some it seems like an over exaggeration. But for us it's actually not an exaggeration here. The PRMS delivered a couple of things for us that were very, very important for us as a company. The first was that we had promised the market that we would deliver a PRMS in the first quarter of 2019. And we're very proud of the fact that we kept that KPI and kept that promise to the market. It's extremely important considering the number of people that were literally hanging on the edge of their seats for this particular announcement. The second thing was that the PRMS was a significant enough number in that it proved that we had a commercial project. There was some concern early on that if it was 100 or 200 petajoules of gas, that that wouldn't support a commercial project. The number of 1153PJ supports that project, and actually gives us several options. Then the third point there was, instead of us telling the market that we believed that we were going to have a 2P reserve, we had it certified by an independent party who is highly reputable and was able to tell the market that we had a 2P reserve that was sufficient for a commercial project. And I think from a personal point of view, I think it was important that we were able to deliver something to the market that we promised our shareholders, and equally it was something that we were able to nearly thumb the nose at a few people who didn't think that we'd be able to get it. It's something we've had over the past few years where there have been questions as to whether we would be able to deliver. And I come back to my first point, and that is that this is a major, major milestone for this company and we're very proud and excited by the fact we've been able to deliver on this one.

INTERVIEWER: Leading stockbroking firm CCZ Statton Equities recently released a Valuation Report on Leigh Creek Energy Limited (LCK) to its clients, can you outline their research?

JUSTYN: It's always nice to get a third party to validate your project, your business, your operation and what you do. CCZ came out just recently with a target price of 80 cents a share. An important number. If you look at that number from a historical perspective it's about double our peak price which we reached not that long ago. But more importantly I think it shows the market that, as Tony said before, that we're undervalued at the moment on our EV value and how we're valued in the marketplace. But I believe in the short term we'll actually be able to get ourselves to that price and see a significant re-rating on that. I think the other thing CCZ recognise, and something I mentioned in your first question was that once again we've delivered on an important KPI and an important milestone we promised the market. It's very, very

important for companies to do this. It's easy to go out and make promises and tell the market we're going to certain things, not deliver on it and then make excuses for not delivering. We are very proud of the fact there have been time constraints on issues, but we've delivered on every single one of those KPIs. And I think this is something CCZ recognised within their paper. I think the last thing that, once again if I harp back to the third-party validation, is that CCZ recognised that this is a significant reserve. Not a resource now, but a reserve. And if you compare it to the East Coast gas market where there's a shortage of gas, when you compare it to the reserves and the resources sitting in the Cooper and the other basins, that this particular reserve actually measures up very strongly against those. And all those matters and all those issues were recognised in the CCZ paper.

INTERVIEWER: What are the next stages for Leigh Creek to work towards commercial operations?

JUSTYN: The next stages are really important for us. We can't rest on our laurels. We've worked incredibly hard, as I've said, to deliver to the market and our KPIs, but we've had to work really hard to get to this position but now have to work even harder to do the next round of things. So for instance, what we've done is just shown we've got commercial qualities of gas. We've just shown that we've got commercial quantities of gas. We have now shown that with a reserve we now have a bankable asset that can go onto our balance sheet. The company can't rest on that. The company has to move to the next step and actually turn those assets, those valuable things we've done into a project. So a company of our size and a market cap sitting somewhere between \$150 million and \$200 million market cap, depending on our share price obviously, and we're looking at a major commercial project in South Australia with a high capex it's quite obvious that it's going to be quite difficult for us to do it on our own. So as a result of that we have to work very closely with our partners. It's well published who our partners are. We have China Communications Construction Company in China. We have Shanghai Electric. We have China New Energy, which is a subsidiary of Shanxi Meijing Group. We have some very powerful and some very cashed-up shareholders out of China and partners with China. Over the next few months we have to turn that into reality. And what I mean by that is we have to come up with a commercial deal with them where we either come forward with a joint venture with our partners with funding as well. Funding is possibly the most important part of that. Anyone can come up with a joint-venture agreement. Anyone can come up with a project or a commercial way forward. If funding isn't in place, then it doesn't happen. We're lucky enough that our partners are substantial, have access to serious capital, are treated very seriously both in China and in Hong Kong, and we believe in the next few months we'll be able to come up with a commercial arrangement that sees us convert the reserve we now have into a commercial project.