



28 April 2017
Manager Companies
Companies Announcements Office
Australian Securities Exchange Limited

Quarterly report for the three months to 31 March 2017

Highlights

- **Capital Raising of \$21.85m completed**
- **New cornerstone investor in China New Energy**
- **Construction of Pre Commercial Demonstration facility funded**
- **On track to become a large, reliable energy supplier**

Leigh Creek Energy Limited (LCK) is pleased to provide an update on the development of the Leigh Creek Energy Project (LCEP) in South Australia for the three months to 31 March 2017.

\$22m capital raising completed

LCK has successfully completed a substantial capital raising at the end of the March Quarter. The total amount raised is \$21.85m, before fees, at an average share price of \$0.146 in three tranches. The first tranche of \$5.9m at an issue price of \$0.135 settled in the March Quarter. The second tranche of \$3.4m, at an issue price of \$0.15, will be completed no later than 31 May 2017. The third tranche of \$12.5m, also at \$0.15 per share, is subject to a shareholder vote at an EGM to take place no later than eight weeks after the completion of the second tranche.

As of 31 March, our total cash balance is \$6.3m. We plan to spend \$4.4m in the June Quarter, and with the additional funds from tranche two and the first drawdown of the R&D facility, we expect to have over \$6m in cash by the end of the financial year. The largest part of the PCD spending will occur in the second half of this calendar year, coinciding with the third tranche of the capital raisings. A summary of the cash flows for the quarter are attached in the Appendix 5B.

New Cornerstone investor CNE

LCK is pleased to welcome China New Energy (CNE) to the shareholder register as a result of the recent capital raising. CNE is a private company with \$2.6Bn in assets across steel, metallurgical coal, and gas-fired power stations in China. These assets are jointly owned with Shanxi Meijin Energy Co. Ltd, one of the largest energy and finance groups in China, listed on the Shenzhen Stock Exchange with a capitalisation of \$5.4Bn. At the end of the first tranche, CNE owns 9.7% of LCK shares.

Following the completion of the second tranche CNE will own 15.8% of LCK shares and will have the right to appoint a Director to the Board of LCK. Upon the completion of the third tranche CNE will own around 33% of LCK shares, assuming no other raisings.

R&D Finance Facility finalised and drawn down

As mentioned above and in previous ASX releases, during the quarter LCK finalised a \$4m R&D finance facility with the Commonwealth Bank of Australia. Subsequently LCK opted to reduce the facility to \$2m due to match the revised 2016/17 eligible R&D expenditure. In future periods LCK will continue to monitor the facility and adjust according to expenditure patterns. In the coming financial year it is expected that this limit will be significantly increased (subject to negotiations with the CBA). During April \$1.2m has been drawn down in line with eligible R&D rebates this year.

Leigh Creek Energy Project Syngas Pre-Commercial Demonstration Update

The completion of this capital raising now sets the foundation for the construction of the Pre-Commercial Demonstration plant (PCD). Construction and operation of the PCD will serve many purposes. Not only will it physically display the production of syngas from our gasification technology, it will also provide the South Australian Government regulator with the environmental data required for full commercial scale approvals, and it will deliver the economic parameters for our own final design planning.

The Board of LCK has taken a conservative approach to expenditure on the PCD prior to the completion of the capital raise which has resulted in a shift in the timetable for the PCD. Now that we have a total funding solution, our work programmes will be accelerated and we now expect to be in a position to construct and install the PCD in the second half of 2017 with a target of initiation of gasification (commonly referred to as “flaring”) before the end of 2017. LCK has let out sections of the construction with a focus on local manufacturers and this activity will now ramp up over the course of 2017.

Baseline environmental work is ongoing. Drilling of additional groundwater monitoring wells will be completed this quarter. The technical findings will be documented in environmental assessment reports central to the approval process. Consultation with the local community and other relevant stakeholders continues.

It is important to highlight that the PCD will use commercial-scale ISG equipment and be operated at commercial rates of production. For this reason, the transition from pre-commercial to commercial operations will only require replication.

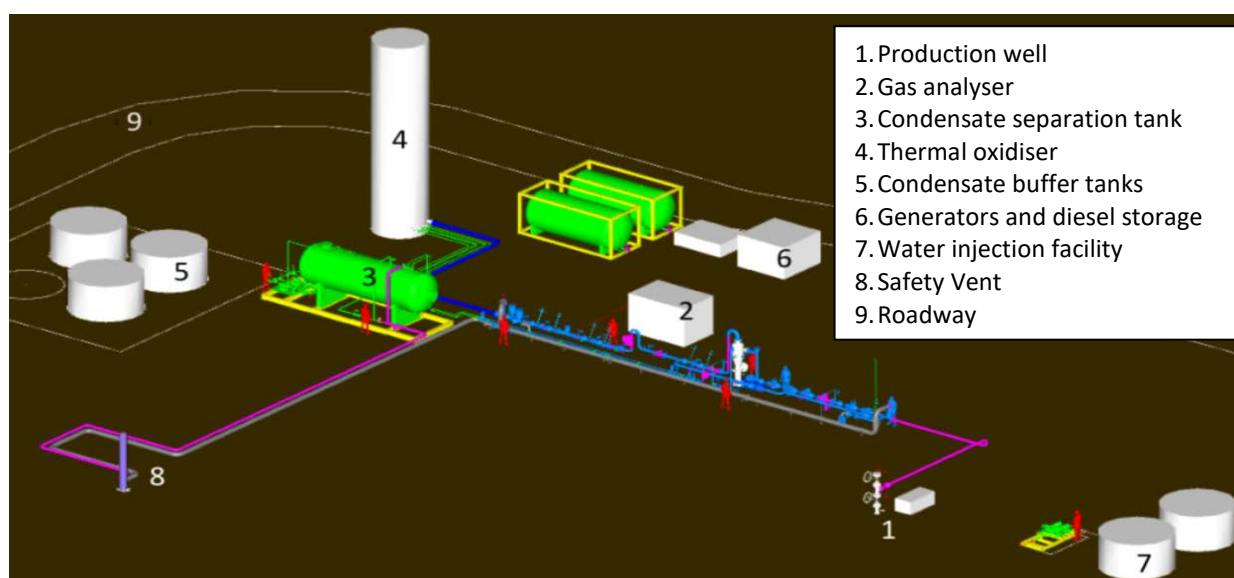


Figure 1: Indicative view of the PCD plant components

Pre-Feasibility Study

During the quarter LCK continued work on the Pre-Feasibility Study for the full scale commercial Leigh Creek Energy Project (LCEP) (see Resource Compliance Statement below). The options include syngas fired power generation, natural gas supply, and production of other high-value products.

Some scenarios include hybrid generation with solar. Discussions with our power partners continue around design parameters and scale to optimise capital and bring the fastest entry for LCK to become a profitable company.

The energy market is now in an acknowledged shortage

Leigh Creek Energy is focussed on the production of energy from its 2,964PJ of 2C Syngas Resources at Leigh Creek, South Australia (see Resource Compliance Statement). The key energy output options include both electricity and pipeline quality Natural Gas.

It is widely acknowledged that the markets for both gas and electricity are currently severely supply constrained. The Hazelwood Power Station in Victoria has closed. The 1600MW brown coal fired power station produced about 11TWh of electricity per year, was a major supplier in Victoria and leaves South Australia with less available power for import when its wind turbines are not generating. The impact has been felt immediately, with average prices across the National Electricity Market (NEM) jumping markedly. As a reference point, wholesale electricity prices in South Australia prior to 2013 averaged \$54/MWh but in the latest quarter prices have tripled to \$160/MWh (see the Table below).

Quarter	QLD	NSW	VIC	SA	TAS	NEM
Mar-2013	105	52	57	64	51	66
Mar-2014	71	51	64	78	41	61
Mar-2015	107	35	28	40	39	50
Mar-2016	89	46	50	54	174	83
Mar-2017	194	135	85	160	99	135

Table 1: Source AER. Volume weighted quarterly average spot electricity prices in the National Electricity Market (\$/MWh).

Across the eastern half of Australia, the combination of markedly increased demand due to the LNG export terminals and restrictions on new unconventional gas supply in most states has seen prices jump (as above) and industrial and agricultural begin to suffer extraordinary contract terms.

In terms of gas, the country's major suppliers and consumers have been summoned to Canberra to try and find a solution to the finally-acknowledged crisis. According to the Australian Energy Regulator, average prices used to range \$3-4/GJ and now average \$10/GJ. However, large consumers are now unable to secure anything but short term contracts and at prices far above their previous experience. The AER has been reporting that some consumers have been forced to accept contracts at between \$15/GJ and \$20/GJ. Rising prices further exacerbate the South Australian power problems. Remaining peaking capacity in the state is now solely from gas power generators. As the cost of gas continues to increase so does the cost of power produced by these generators.

Tenements

As of 31 March 2017, LCK had a 100% interest in the licences listed below, all in South Australia, through LCK's wholly owned subsidiary Leigh Creek Operations Pty Ltd. There have been no changes to these holdings.

- Petroleum Exploration Licence 650
- Gas Storage Exploration Licence 662
- Petroleum Exploration Licence Application 582
- Petroleum Exploration Licence Application 643
- Petroleum Exploration Licence Application 644
- Petroleum Exploration Licence Application 647
- Petroleum Exploration Licence Application 649

LCK is an emerging Energy Company

LCK has a certified PRMS 2C Syngas Resource of 2963.9 PJ of syngas. The syngas produced from the ISG process can be utilised for various purposes including power generation, pipeline quality Natural Gas and fertiliser production. With ongoing studies determining the most appropriate pathway to commercialisation, LCK is ideally situated to take advantage of the current and future anticipated market volatility and the opportunities this creates.

Each of the potential pathways to commercialisation hold in common that the first and immediate step is completion of the Pre-Commercial Demonstration plant (PCD).

The difficulties in the energy markets in Australia were brought into sharp focus by the Condition Black event in South Australia in September 2016. In November 2016 there was another large outage in South Australia. Since September 2016, LCK has been the subject of various approaches from the perspective of both an electricity producer and a gas supplier. We are in active discussion with potential customers and partners for delivery of the LCEP.

Commenting on the quarterly progress, Chief Executive Officer, Phil Staveley said:

"The key development of the past quarter has been the completion of the capital raising that has put us on a sure footing for funding for the construction of the PCD. We are aiming now for a fast transition from proving our resource and ISG technology to becoming a full scale reliable energy supplier in South Australia. The situation in South Australia is extremely serious and LCK will be part of the solution. The immediate focus remains completing the baseline environmental report and gaining regulatory approvals in order to undertake the successful demonstration of the PCD facility."

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About Leigh Creek Energy

Leigh Creek Energy Limited (LCK) is an emerging gas company focused on developing its Leigh Creek Energy Project (LCEP), located in South Australia. The LCEP will produce high value products such as methane, electricity and potentially fertiliser from the remnant underground coal resources at Leigh Creek utilising In Situ Gasification (ISG) technologies, and will provide long term growth and opportunities to the communities of the 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.

Leigh Creek Energy – bringing reliable energy to South Australia.**Resource Compliance Statement**

The information in this announcement that relates to the 2C Contingent Syngas Resource was detailed in an announcement lodged with ASX on 8 January 2016 and is available to view at www.lcke.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. All estimates are based on the deterministic method for estimation of petroleum resources.

Cautionary Statements

The Scoping Study referred to in this announcement has been undertaken to ascertain whether a business case can be made to proceed to more definitive studies on the viability of the LCEP. The Scoping Study is a preliminary technical and economic study of the potential viability of the LCEP. It is based on a Contingent PRMS Syngas Resource and underlying Inferred Coal Resource and on low-level technical and economic assessments. As such, the Study is not sufficient to support the estimation of coal or gas reserves, production targets, costs of production, or revenue, or to provide assurance of an economic development case. Further exploration and evaluation work and appropriate studies are required before the Company will be in a position to do any of those things.

The Scoping Study has been carried out entirely on the basis of a Contingent PRMS Syngas Resource and underlying Inferred Coal Resource, each of which have a low level of geological confidence. These resources should not be relied on by investors when making investment decisions.

Forward Looking Statements

This announcement may contain forward looking statements. Forward-looking statements include, but are not limited to, statements concerning the Company's planned mining and exploration programs and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements.

In addition, estimates of resources could also be forward-looking statements. Although the Company believes that its expectations reflected in these statements are reasonable, they may be affected by a variety of changes in underlying assumptions which could cause actual results or trends to differ, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates amongst other items, and the cumulative impact of items.

For a more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Company's other filings. Readers should not place undue reliance on forward looking information. The Company does not undertake any obligation to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

LEIGH CREEK ENERGY LIMITED

ABN

31 107 531 822

Quarter ended ("current quarter")

March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(1,131)	(4,414)
(b) development		
(c) production		
(d) staff costs	(593)	(2,326)
(e) administration and corporate costs	(624)	(2,076)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	26
1.5 Interest and other costs of finance paid	(3)	(5)
1.6 Income taxes paid		
1.7 Research and development refunds	44	835
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,304)	(7,960)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(62)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	2	2
	(b) tenements (see item 10)		
	(c) investments	27	27
	(d) 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	25	(33)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	5,695	5,695
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(118)	(118)
3.8	Dividends paid		
3.9	Other (provide details if material) Government Grant		20
3.10	Net cash from / (used in) financing activities	5,577	5,597

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,044	8,738
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,304)	(7,960)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	25	(33)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,577	5,597
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	6,342	6,342

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	6,342	3,044
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,342	3,044

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
116
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7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,000	nil
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Secured 12 month R&D working capital facility with Commonwealth Bank of Australia

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	3,174
9.2 Development	
9.3 Production	
9.4 Staff costs	509
9.5 Administration and corporate costs	628
9.6 Other (provide details if material)	52
9.7 Total estimated cash outflows	4,363

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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.

Sign here:



Date: 28 April 2017

Print name: Jordan Mehrtens

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.