

# Leigh Creek Energy Limited

ACN 107 531 822

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## Notice of General Meeting

And

## Explanatory Memorandum

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**Notice is hereby given** that a General Meeting of Leigh Creek Energy Limited (**Company**) will be held:

**Date of Meeting:** 22 August 2018

**Time of Meeting:** 9.30 am (Adelaide time)

**Place of Meeting:** Level 11, 19 Grenfell St Adelaide SA 5000

### **Business:**

#### **Resolution 1– Approval to permit the Company to issue shares to China New Energy Group Limited**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.11.2, and for all other purposes, Shareholders approve the issue of the number of Shares to China New Energy Group Limited on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of General Meeting.”

#### **Resolution 2– Ratification of issue of Placement Shares**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the placement of 36,867,647 Shares by the Company on 25 June 2018 at an issue price of 16 cents as set out in the Explanatory Memorandum accompanying this Notice of General Meeting is approved.”

#### **Resolution 3 -Approval of increase in aggregate fees payable to Non-Executive Directors**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of ASX Listing Rule 10.17 and in accordance with clause 50.2 of the Constitution, the maximum aggregate fees payable to Non-Executive Directors be increased from \$500,000 to \$750,000 per annum as set out in the Explanatory Memorandum.”

#### **Resolution 4 – Grant of Options to Zhe Wang**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of ASX Listing Rule 10.14 and for all other purposes, the grant by the Company to Non-Executive Director Mr Zhe Wang or his permitted nominee, of a total of 2,000,000 unlisted Options on the terms and conditions set out in the Explanatory Memorandum, is approved.”

#### **Resolution 5 – Grant of Options to Zheng Xiaojiang**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of ASX Listing Rule 10.14 and for all other purposes, the grant by the Company to Non-Executive Director Mr Zheng Xiaojiang or his permitted nominee, of a total of 2,000,000 unlisted Options on the terms and conditions set out in the Explanatory Memorandum is approved.”

## **Resolution 6 – Grant of Options to Jordan Mehrstens**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of ASX Listing Rule 10.14 and for all other purposes, the grant by the Company to Company Secretary Ms Jordan Mehrstens or her permitted nominee, of a total of 1,000,000 unlisted Options on the terms and conditions set out in the Explanatory Memorandum, is approved.”

## **Resolution 7 – Grant of Options to Justyn Peters**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of ASX Listing Rule 10.14 and for all other purposes, the grant by the Company to Executive Director Mr Justyn Peters or his permitted nominee, of a total of 2,500,000 unlisted Options on the terms and conditions set out in the Explanatory Memorandum, is approved.”

## **Resolution 8 – Grant of Options to Phillip Staveley**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of ASX Listing Rule 10.14 and for all other purposes, the grant by the Company to Non-Executive Director Mr Phillip Staveley or his permitted nominee, of a total of 2,500,000 unlisted Options on the terms and conditions set out in the Explanatory Memorandum, is approved.”

## **Information for Members**

### **1. Explanatory Memorandum**

The Explanatory Memorandum accompanying this Notice of General Meeting is incorporated in and comprises part of this Notice of General Meeting and should be read in conjunction with this Notice. Members are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used both in this Notice and the Explanatory Memorandum.

### **2. Voting Exclusion Statements**

#### **(a) Resolution 1**

In accordance with the Listing Rules, the Company will disregard any votes cast in favour of Resolution 1 by or on behalf of China New Energy Group Limited, any person that might obtain a benefit if Resolution 1 is passed, except a benefit solely in the capacity of a

holder of ordinary securities, or any of their respective associates.

However, a vote may be cast on Resolution 1 by, and the Company need not disregard a vote if:

- (a) it is cast by a person as proxy appointed in writing for a person who is entitled to vote, where the appointment specifies how the proxy is to vote on the resolution and the vote is cast in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the appointment does not specify the way the proxy is to vote and the vote is cast as the proxy decides.

#### **(b) Resolution 2**

The Company will disregard any votes cast in favour of Resolution 2 by a person who participated in the placement or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) It is cast by the person Chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

#### **(c) Resolution 3**

The Company will disregard any votes cast in favour of Resolution 3 by a Director or any associate of a Director.

However, the Company need not disregard a vote if:

- (a) It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) It is cast by the person Chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolutions 3 if:

- the person is either:

- I. a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
- II. a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

#### **(d) Resolutions 4-8**

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolutions 4, 5, 6, 7 and 8 by or on behalf of a person (and their associates) who is to receive securities in relation to the Company.

Further, under the Listing Rules, the Company will disregard any votes cast in favour of Resolutions 4, 5, 6, 7 and 8 by or on behalf of any Directors (and their associates).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolutions 4, 5, 6, 7 and 8 if:

- the person is either:
  - I. a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
  - II. a Closely Related Party of such a member; and

- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and
- the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

### **3. “Snap-shot” Time**

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that for the purposes of voting at the Meeting, Shares will be taken to be held by those who hold them as at 7.00 pm (Adelaide time) on 20 August 2018.

### **4. Proxies**

A Shareholder entitled to attend and vote at the Meeting may appoint a proxy. The person appointed as a proxy may be an individual or a body corporate and need not be a Shareholder. If a Shareholder is entitled to cast two or more votes, the Shareholder may appoint one or two proxies.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Shareholder’s voting rights. If the proportion is not specified, each proxy may exercise half of the Shareholder’s voting rights. Fractional votes will be disregarded.

To record a valid vote, members will need to take either of the following steps:

- (a) Cast your vote online by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions and information provided on the enclosed proxy form; or
- (b) Complete and lodge the Proxy Form (and the power of attorney or other authority (if any) under which it is signed, or a certified copy of it) at the share registry of the Company, Computershare Investor Services Pty Limited, located at GPO Box 242, Melbourne VIC 3001, or by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or

(c) For Intermediary Online subscribers only (custodians), please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions, no later than 9:30am (Adelaide time) on 20 August 2018 (being 48 hours before the commencement of the meeting).

#### **5. Corporate Representative**

A corporation that is a Shareholder or a proxy may elect to appoint a person to act as its corporate representative at the Meeting, in which case the corporate Shareholder or proxy (as applicable) must provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that Shareholder's or proxy's (as applicable) corporate representative. The authority must be sent to the Company and/or the Company's Share Registry (detailed above) in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

**By order of the Board**



**J E Mehrtens, Company Secretary**  
Leigh Creek Energy Limited  
23 July 2018

# Explanatory Memorandum

## Introduction

This Memorandum has been prepared for the information of Shareholders of Leigh Creek Energy Limited (**Company**) in connection with the business to be conducted at this General Meeting of the Company to be held at **Level 11, 19 Grenfell St Adelaide SA 5000 on 22 August 2018 at 9.30 am (Adelaide time)**.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of General Meeting. Capitalised terms in this Explanatory Memorandum are either defined in the Glossary or elsewhere in this Explanatory Memorandum.

## Resolution 1 - Approval to permit the Company to issue shares to China New Energy Group Limited

### Background

1. On 27 October 2017, following Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act, the Company completed a 4-stage placement to China New Energy Group Limited (**CNE**), allowing it to increase its shareholding to 136,333,334 Shares, holding 32.78% of the issued capital of the Company.
2. As part of this 4-stage placement, Mr Zhe Wang, a nominee of CNE was appointed to the Company's Board. Mr Zhe Wang is not a director or shareholder of, and does not control, CNE.
3. On 18 June 2018, the Company announced a placement and a share purchase plan to raise up to \$11.7 million (before costs). The share purchase plan was offered at the same price as the placement at \$0.16 per Share to raise up to \$3,000,000 (**SPP**). The placement comprises the issue of approximately 55 million Shares at \$0.16 per Share to professional and sophisticated investors to raise approximately \$8.8m (**Placement**).
4. Subject to shareholder approval, CNE committed to participate in the Placement to retain its 32.78% shareholding in the Company following the completion of the SPP (including any shortfall placement). Under Listing Rule 10.11.2. shareholders' approval is required to allow the issue of shares to CNE for the purpose of the Placement.
5. The funds raised by the Placement will be used by the Company to advance the Company's Pre-Commercial Demonstration stage of the Leigh Creek Energy Project, a feasibility study for the Company's small-scale power plant, a drilling program associated with the geological assessment of the Company's small scale power plant and for additional working capital.
6. The price and number of Shares to be issued under the Placement was determined by the Company in consultation with the broker to the Placement, CCZ Equities, and neither CNE nor Mr Zhe Wang were involved in these determinations.
7. The Shares issued to professional and sophisticated investors other than CNE under the Placement did not require Shareholder approval as these investors are not related parties of the Company and the Shares came within the Company's capacity under Listing Rule 7.1 and 7.1A.
8. On 25 June 2018, the Company issued 36,867,647 Shares under the Placement to the parties participating in the Placement that did not require Shareholder approval. This had the effect of diluting CNE's shareholding to 30.11%. The Shares to be issued under the SPP will further dilute CNE's voting power, depending on the number of Shares issued to shareholders under the SPP and to professional and sophisticated investors under shortfall facility. Upon receipt of Shareholder approval under Resolution 1 and the subsequent issue of the Shares to CNE, its voting power in the Company will return to the 32.78% previously approved by Shareholders in October 2017.

## ASX Listing Rules

ASX Listing Rule 10.11 requires that unless one of the exceptions in Listing Rule 10.12 applies, an entity must not issue or agree to issue equity securities to either a related party of the entity or 'a person whose relationship with the entity or a related party is in ASX's opinion such that approval should be obtained', without the approval of holders of ordinary securities.

The Board has formed the view that CNE is not a related party of the Company, as it does not control the Company, it is not controlled by a related party of the Company, it is not acting in concert with a related party of the Company on the understanding that the related party will receive a financial benefit if the Company gives CNE a financial benefit and none of the other circumstances outlined in the definition of 'related party' in section 228 of the Corporations Act apply.

Notwithstanding this, ASX has advised the Company that because CNE had voting power of more than 30% at the time the Placement was secured, ASX will require Shareholder approval under Listing Rule 10.11.2 in order to issue Shares to CNE as part of the Placement.

The Company provides the following information under ASX Listing Rule 10.13:

- The number of shares to be issued to CNE could not be determined at the time of dispatch of this Notice of Meeting as that number of shares is dependent on the total number of shares to be issued under the SPP to which, together with the shares issued under the Placement dilute CNE's interest.
- The maximum number of Shares to be issued to CNE is the number required to take its total voting power to 32.78% following the issue of the Shares, in accordance with the following formula:

$$\text{Number of Shares} = (0.4877 \times A) - 202,816,623$$

Where:

A is the total number of Shares on issue prior to the issue of Shares to CNE under the Placement

- The issue price of the Shares will be \$0.16 and the Shares will be fully paid ordinary shares and rank equally with all other Shares on issue.
- The Company will issue the Shares no more than 1 month after the date of the General Meeting.
- The Company intends to use the funds, and the other funds raised under the Placement, to advance the Company's Pre-Commercial Demonstration stage of the Leigh Creek Energy Project, a feasibility study for the Company's small scale power plant, a drilling program associated with the geological assessment of the Company's small scale power plant and for additional working capital.
- Prior to the Placement, CNE held 32.78% of the Shares on issue in the Company. CNE also has a nominee on the Company's Board, Mr Zhe Wang. Through the issue of the Shares set out in accordance with the formula above, CNE will return to its previously approved shareholding in the Company of 32.78%.
- The voting exclusion statement is set out in the Notice of Meeting.

## ASX Listing Rule 7.2

In accordance with Exception 14 under ASX Listing Rule 7.2, where an issue is made with the approval of holders of ordinary securities under ASX Listing Rule 10.11, approval is not required under Listing Rules 7.1.

## Section 606 of the Corporations Act

Under section 606 of the Corporations Act, a person must not acquire voting shares in a listed company if as a result the person's or someone else's voting power increases from a starting point that is above 20% and below 90%, unless it is covered by an exception set out in section 611 of the Corporations Act.

Under item 9 of section 611, an acquisition is exempt if throughout the 6 months before the acquisition that person, or any other person, has had voting power in the company of at least 19% and as a result of the acquisition none of those persons would have voting power in the company more than 3 percentage points higher than they had 6 months before the acquisition.

Between 27 October 2017 and 25 June 2018 CNE held 32.78% voting power in the Company. As a result of the issue of Shares under the Placement on 25 June 2018, CNE was diluted to 30.11% voting power. CNE will be diluted further by the SPP, depending on how many Shares are issued under the SPP.

Under item 9 of section 611, CNE is permitted to acquire Shares as provided for in Resolution 1 to take its voting power back up to 32.78% without breaching section 606 of the Corporations Act.

CNE has confirmed that its intentions regarding the future of the Company have not changed since the October 2017 placement, in that as at the date of this Explanatory Memorandum and the date of the General Meeting and on the basis of the facts and information available to it, CNE:

- (1) has no current intention to change the existing business of the Company;
- (2) has no current intention to inject further capital into the Company (other than as provided for under the Placement);
- (3) has no current intention to change the employment of the present employees of the Company;
- (4) does not propose that any assets be transferred between the Company and it or any associates;
- (5) has no current intention to otherwise redeploy the fixed assets of the Company; and
- (6) has no current intention to significantly change the Company's existing financial or dividend policies.

### **Directors' interests and recommendation**

The Directors do not have any material personal interests in the proposed acquisition.

Mr Zhe Wang was appointed to the Board as a nominee of CNE and as such has not been present for, or voted on, any Board deliberations relating to the Placement and declines to make any recommendation in relation to Resolution 1. The other Directors, excluding Mr Zhe Wang, unanimously recommend that Shareholders (other than CNE and its associates) vote in favour of Resolution 1. The Chairman intends to vote available undirected proxies in favour of Resolution 1.

### **Resolution 2 –Ratification of previous issue of securities**

Resolution 2 seeks approval of Shareholders to the previous issue of securities within the last 12 months.

Listing Rule 7.1 prohibits a listed company from issuing equity securities representing more than 15% of its issued capital in any 12-month period without first obtaining shareholder approval (subject to certain exceptions).

Listing Rule 7.1A enables certain eligible entities to seek shareholder approval to issue equity securities up to 10% of its issued share capital over a 12-month period after the annual general meeting at which a resolution regarding Listing Rule 7.1A is passed by special resolution. At the Company's last AGM on 29 November 2017, the Company obtained approval from Shareholders to issue equity securities under Listing Rule 7.1A.

Under Listing Rule 7.4, a company can seek ratification of issues that have been made within the previous 12-month period, provided the issue did not breach Listing Rule 7.1. The effect of such ratification is that the issue of securities is then deemed to have been made with shareholder approval, thus not counting towards the 15% limit or the 10% limit (as applicable). The approved securities are also included in the base number for calculating the Company's 15% limit and 10% limit, thereby increasing the number of equity securities the Company can issue without first having to obtain Shareholder approval under Listing Rule 7.1.

On 25 June 2018, the Company issued 36,867,647 Shares under the Placement at a subscription price of \$0.16 cents to raise a total of \$5.9m. 13,976,352 Shares were issued within the 15% limit in Listing Rule 7.1. 22,891,295 Shares were issued within the 10% limit in Listing Rule 7.1A.

Resolutions 2 seeks Shareholder approval of the issue of the Shares pursuant to Listing Rule 7.4.

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purposes of obtaining shareholder approval pursuant to Listing Rule 7.4:

|                            | <b>Resolution 2</b>   |
|----------------------------|---|
| <b>No. of securities</b>   | 36,867,647 Shares   |
| <b>Issue price</b>         | 16 cents  |
| <b>Terms of issue</b>      | Fully paid ordinary shares, ranking equally with all other ordinary shares on issue.  |
| <b>Allottees</b>           | Professional and sophisticated investors identified by the Company and broker to the Placement, CCZ Equities.   |
| <b>Use of funds raised</b> | Placement to raise funds intended to be used for: <ul style="list-style-type: none"> <li>• Operational costs associated with the Company's Pre-Commercial Demonstration stage of the Leigh Creek Energy Project;</li> <li>• the feasibility study for the Company's small scale power plant;</li> <li>• Drilling program associated with geological assessment of the Company's small scale power plant; and</li> <li>• General working capital.</li> </ul> |

The voting exclusion statement for Resolution 2 is set out in the Notice of Meeting.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2 as it allows the Company to retain flexibility to issue further securities as and when the Company's circumstances require it during the next 12-month period.

The Chairman intends to vote available undirected proxies in favour of Resolution 2.

### **Resolution 3 – Approval of increase in aggregate Non-Executive Directors' fees**

ASX Listing Rule 10.17 and clause 50.2 of the Constitution provides that the Company must not increase the total fees payable by it to its Non-Executive Directors without first obtaining shareholder approval to the increase.

The maximum aggregate for the Non-Executive Directors' fees was last increased at the Company's 2008 Annual General Meeting when it was increased from \$300,000 to \$500,000.

For the purposes of ASX Listing Rule 10.17 and clause 50.2 of the Constitution, Resolution 3 seeks shareholder approval to increase the aggregate maximum fees that may be paid by the Company to its Non-Executive Directors by \$250,000, from \$500,000 to \$750,000 per annum (inclusive of superannuation payments).

The Board considers it necessary to increase the aggregate maximum fees payable to Non-Executive Directors to \$750,000 per annum to allow the Company to increase fees payable to existing Non-Executive Directors and/or appoint additional Non-Executive Directors in the future as and when required.

In accordance with Listing Rule 10.17, the securities issued to non-executive directors under Listing Rule 10.11 or 10.14 with approval of shareholders within the last 3 years are set out in the table below:

| <b>Name</b>         | <b>Number</b> | <b>Type of security</b>  | <b>Date of issue</b>                |
|---------------------|---------------|--|-------------------------------------|
| Mr Murray Chatfield | 2,000,000     | Options exercisable at \$0.45, <i>expiring 10 October 2021</i> | 10 October 2016                     |
| Mr Gregory English  | 2,000,000     | Options exercisable at \$0.35 <i>expiring 10 October 2021</i>  | 10 October 2016                     |
| Mr Zhe Wang         | 2,000,000     | Options exercisable at \$0.35 <i>expiring 17 April 2023</i>    | Subject to approval of Resolution 4 |
| Mr Zheng Xiaojiang  | 2,000,000     | Options exercisable at \$0.35 <i>expiring 17 April 2023</i>    | Subject to approval of Resolution 5 |

As the Directors are excluded from voting on Resolution 3, they do not wish to make a recommendation as to how Shareholders should vote on Resolution 3. The Chairman intends to vote any undirected proxies in favour of Resolution 3.

## Resolution 4-8 – Grant of Options

Resolutions 4-8 seek Shareholder approval for the purposes of ASX Listing Rule 10.14 for the grant of Options to Directors, Mr Zhe Wang, Mr Zheng Xiaojiang, Mr Justyn Peters and Mr Phillip Staveley respectively (or their permitted nominees), and to Company Secretary Jordan Mehrtens, on the terms and conditions set out below and in accordance with the Employee Share Option Plan.

As announced on 18 April 2018, the Board (excluding Mr Zhe Wang, Mr Zheng Xiaojiang) conditionally agreed to grant 2 million options to each of Mr Zhe Wang and Mr Zheng Xiaojiang and 1 million options to Ms Jordan Mehrtens. As announced on 5 July 2018, the Board (excluding Mr Justyn Peters and Mr Phillip Staveley) conditionally agreed to grant each of Mr Justyn Peters and Mr Phillip Staveley 2.5 million options. In each case, the grant of options is subject to shareholder approval.

The offer of Options to these parties forms part of the Company's long-term incentive objectives to encourage Directors and the Company Secretary to have a greater alignment with the goals and interests of current and future shareholders.

The Options, if approved for grant, will form part of the Directors and Company Secretary's respective remuneration packages. The Options will be in addition to the directors' and company secretary fees payable to Mr Zhe Wang, Mr Zheng Xiaojiang and Ms Jordan Mehrtens, and to the remuneration of Executive Directors Mr Justyn Peters and Mr Phillip Staveley.

The Board (other than Mr Zhe Wang and Mr Zheng Xiaojiang in respect of Resolutions 4 and 5 and, Mr Justyn Peters and Mr Phillip Staveley in respect of Resolutions 7 and 8) considers the grant of Options under Resolutions 4-8 is reasonable and appropriate for the following reasons:

- (a) the grant of Options is necessary to attract the highest calibre of professionals to the Company and retain them, whilst maintaining the Company's cash reserves;
- (b) if the future Share price of the Company's Shares does not reach the premium exercise price set for the Options and the Options are not exercised then there will be no dilutive impact on Shareholders;
- (c) if the Company's Share price does reach the premium exercise price set for the Options and the Options are exercised, then Shareholders will receive a significant benefit in excess of the accounting cost of the benefit provided, and while there will be a dilutive impact on all Shareholders if the Options are exercised, the resultant growth in the Company's market capitalisation will significantly compensate Shareholders for any dilution.

The Board notes that the grant of the Options to each of Mr Zhe Wang and Mr Zheng Xiaojiang is contrary to the guidelines on non-executive director remuneration in Box 8.2 of Recommendation 8.3 of the ASX's Corporate Governance Principles and Recommendations. The Board (other than Mr Zhe Wang, Mr Zheng Xiaojiang) considers the grant of the Options to each of Mr Zhe Wang and Mr Zheng Xiaojiang to be reasonable and appropriate in the circumstances for the reasons set out above, together with the fact that the Company is at a critical stage in its development and Mr Zhe Wang and Mr Zheng Xiaojiang have specific experience in the areas of Energy and Thermal Physics Engineering, and Finance respectively, that will be invaluable as the Company moves onto the commercialisation of its ISG Leigh Creek Energy Project, so the Company considers the additional remuneration is warranted in the circumstances.

The issuance of options to Mr Peters and Mr Staveley is in recognition of the achievements of the Company over the last 12 months, namely a successful capital raise, the obtaining of the necessary government approvals for the Environmental Impact Report and the Statement of Environmental Objectives, and the construction and progress of the PCD at Leigh Creek.

If Resolutions 4-8 are approved, each Director and Company Secretary in office at the date of the General Meeting will have the following interests in the Company's securities:

| Director                | Shares  | Existing Options | New Options |
|-------------------------|---|------------------|-------------|
| <b>Zhe Wang</b>         | Nil direct interest (but Mr Zhe Wang is a nominee of China New Energy Group Limited, an entity that currently holds 136,333,334 Shares and voting power of 30.11% and (subject to shareholders approving Resolution 1) will acquire further Shares under the Placement to return to voting power of 32.78%) | Nil              | 2,000,000   |
| <b>Zheng Xiaojiang</b>  | Relevant interest in the 12,470,921 held by Crown Ascent Development Limited  | Nil              | 2,000,000   |
| <b>Jordan Mehrrens</b>  | 1,311,868   | Nil              | 1,000,000   |
| <b>Justyn Peters</b>    | Nil   | 750,000          | 2,500,000   |
| <b>Phillip Staveley</b> | 550,000   | 2,000,000        | 2,500,000   |

### ASX Listing Rule 10.15

Listing Rule 10.15 requires that the following information be provided to Shareholders for the purposes of obtaining shareholder approval pursuant to Listing Rule 10.14:

- Mr Zhe Wang and Mr Zheng Xiaojiang are Non-Executive Directors, Ms Jordan Mehrrens is Company Secretary and daughter of Mr Justyn Peters (Executive Chairman), Mr Justyn Peters and Mr Phillip Staveley are Executive Directors;
- The names of the persons referred to in Listing Rule 10.14 who received securities under the Employee Share Option Plan since the last approval, the number of securities received and the acquisition price for each security are:
  - My Murray Chatfield – 2,000,000 Options for nil consideration, exercisable at \$0.45 each
  - Mr Gregory English - 2,000,000 Options for nil consideration, exercisable at \$0.35 each
- All Directors and officers of the Company are entitled to participate in the Employee Share Option Scheme;
- There is no loan that relates to the acquisition of the Options;
- The full terms and conditions of the Options are set out in the Employee Share Option Plan, as summarised in Annexure A. The key terms of the Options and information required under ASX Listing Rule 10.15 are as follows:

| Item  | Details  |
|---|--|
| <b>Maximum number of Options to be issued</b> | 10,000,000 (Mr Zhe Wang and Mr Zheng Xiaojiang or their respective nominees will receive 2,000,000 each, Ms Jordan Mehrrens (or nominees) will receive 1,000,000, Mr Justyn Peters and Mr Phillip Staveley or their respective nominees will receive 2,500,000 each) |
| <b>Issue date</b>                             | Each Option will be issued as soon as reasonably practicable following Shareholder approval and in any case, not more than 12 months after the approval of Shareholders is obtained  |
| <b>Exercise Price of each Option</b>          | \$0.35 for Mr Zhe Wang, Mr Zheng Xiaojiang and Ms Jordan Mehrrens.<br>\$0.246 for Mr Justyn Peters and Mr Phillip Staveley.  |
| <b>Underlying Securities</b>                  | Each Option is an Option to subscribe for 1 Share (subject to possible adjustment in accordance with the terms and conditions of the Options set in the Employee Share Option Plan)  |
| <b>Consideration</b>                          | Each Option will be granted for no consideration.  |
| <b>Terms of issue</b>                         | The full terms and conditions of the Options are set out in the Employee Share Option Plan, as summarised in Annexure A  |
| <b>Intended use of the funds raised</b>       | If any Options are exercised, the funds received on exercise will be used for general working capital purposes.  |
| <b>First Exercise Date</b>                    | Date of Issue  |
| <b>Last Exercise Date</b>                     | 5 years from the grant date for Mr Zhe Wang, Mr Zheng Xiaojiang and Ms Jordan Mehrrens.<br>4 years from the grant date for Mr Justyn Peters and Mr Phillip Staveley.   |

The voting exclusion statements for each of Resolution 3-7 are set out in the Notice of Meeting.

### ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities (or rights to securities) to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

Exception 4 of Listing Rule 10.12 provides an exception for an issue of securities under an employee incentive scheme made with the approval of shareholders under Listing Rule 10.14.

### **ASX Listing Rule 7.1**

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Options if approval is obtained under Listing Rule 10.14. Accordingly, the issue of Options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

### **Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless Shareholder approval is obtained for the giving of the benefit, or the giving of the benefit falls within one of the exceptions in sections 210 to 216 of the Corporations Act.

Each of the Directors and the Company Secretary is a related party of the Company under section 228(2) of the Corporations Act. The grant of the Options to each of Mr Zhe Wang, Mr Zheng Xiaojang, Ms Jordan Mehrtens, Mr Justyn Peters and Mr Phillip Staveley would constitute the giving of a financial benefit to them. However, it is the view of the Board that the proposed grant of the Options falls under one of the exceptions in the Corporations Act.

The relevant exception is set out in section 211(1) of the Corporations Act and states that shareholder approval is not required in order to give a financial benefit to a related party if that benefit is reasonable remuneration given to an officer or employee of the company, and to give the remuneration would be reasonable given the circumstances of the company and the related party's circumstances (including the responsibilities involved in the office or employment).

For the reasons outlined above, the Board (other than Mr Zhe Wang and Mr Zheng Xiaojang in respect of the options the subject of Resolutions 4 and 5 and Mr Justyn Peters and Mr Phillip Staveley in respect of the options the subject of Resolutions 7 and 8) has formed the view that the financial benefit proposed to be given to each of Mr Zhe Wang, Mr Zheng Xiaojang, Ms Jordan Mehrtens, Mr Justyn Peters and Mr Phillip Staveley by way of the grant of Options amounts to reasonable remuneration given to them in their capacity as an officer of the Company. As a result, the Board is of the view that the exception in section 211(1) of the Corporations Act applies to the proposed grant of the Options and therefore the approval of Shareholders under section 208 of the Corporations Act is not required for the giving of the benefit.

### **Section 606 of the Corporations Act**

Mr Zhe Wang is a nominee of China New Energy Group Limited (a Shareholder with voting power of 32.78% as at the date of this Notice of Meeting) and has undertaken not to exercise any Options if it would result in breach of section 606 of the Corporations Act.

### **Recommendation of Directors**

Each of the Directors is excluded from voting on Resolutions 4-8. Further, in accordance with ASIC guidance on the matter, each Director considers that it is not appropriate for him to make a recommendation in relation to the remuneration of another Director. Accordingly, all Directors decline to make any recommendation to Shareholders in relation to Resolution 4, 5, 6, 7 and 8.

A voting exclusion statement for each of Resolution 4, 5, 6, 7 and 8 is set out in the Notice of Meeting. The Chairman intends to vote available undirected proxies in favour of Resolution 4, 5, 6, 7 and 8.

## GLOSSARY

In this Explanatory Memorandum, the following terms have the following unless the context otherwise requires:

"**ASX**" means ASX Limited ACN 008 624 691.

"**Board**" means the Board of Directors from time to time.

"**Chair**" or "**Chairman**" means the chairman of the Company who will chair the Meeting.

"**CNE**" means China New Energy Group Limited.

"**Company**" means Leigh Creek Energy Limited ABN 31 107 531 822.

"**Corporations Act**" means the *Corporations Act 2001* (Cth).

"**Directors**" means the directors of the Company from time to time and "**Director**" means any one of them.

"**Explanatory Memorandum**" means this explanatory memorandum.

"**ISG**" means In Situ Gasification.

"**LCEP**" means Leigh Creek Energy Project.

"**Listing Rules**" means the listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

"**Meeting**" or "**General Meeting**" means the general meeting of Shareholders of the Company or any adjournment thereof, convened by the Notice.

"**Notice**" or "**Notice of General Meeting**" means the notice of general meeting which accompanies this Explanatory Memorandum.

"**PCD**" means Pre-Commercial Demonstration.

"**Placement**" means the private placement of Shares announced by the Company on 18 June 2018 to raise approximately \$8.7m.

"**Resolution**" means a resolution referred to in the Notice.

"**Share**" means a fully paid ordinary share in the capital of the Company.

"**Shareholder**" or "**Member**" means a holder of Shares in the Company.

"**SPP**" means the share purchase plan announced by the Company on 18 June 2018 to raise \$3m.

## Annexure A – Terms of Options

The following terms are an abridged version of the terms and conditions applicable under the Employee Share Option Plan.

1. The Option holder is entitled on payment of the applicable exercise price for the relevant Option to be allotted one ordinary fully paid share for each Option exercised.
2. Options held by the Option holder are exercisable from the date of issue up to and including the Expiration Date for the relevant class of Options as set out below (the Exercise Period).

| Grantee          | Number of Options | Exercise Price | Expiration Date |
|------------------|-------------------|----------------|-----------------|
| Zhe Wang         | 2,000,000         | \$0.35         | 17 April 2023   |
| Zheng Xiaojang   | 2,000,000         | \$0.35         | 17 April 2023   |
| Jordan Mehrstens | 1,000,000         | \$0.35         | 17 April 2023   |
| Justyn Peters    | 2,500,000         | \$0.246        | 3 July 2022     |
| Phillip Staveley | 2,500,000         | \$0.246        | 3 July 2022     |

3. Each Option that is not exercised on or before the Expiration Date for that Option will lapse. Other circumstances where Options may lapse are set out in the Plan (including certain circumstances where the grantee leaves his or her position with the Company or where there is dishonesty, fraud, wilful misconduct, wilful breach of duty, serious and wilful negligence or incompetence in the performance of the grantee's duties).
4. An Option is exercisable by notice in writing to the Company together with payment of the Exercise Price for each Option exercised, and the most recent Option Certificate. Options must be exercised in multiples of 1,000 or such other number as the Board may decide (and, in the case where an Option holder holds less than this number, the number held by the Option holder).
5. The Company will not apply for official quotation of Options on the ASX. The Company will make application for official quotation on the ASX of new shares allotted on exercise of Options. Shares allotted on exercise of Options will participate equally in all respects with existing issued ordinary shares.
6. Options carry no right (without exercising the Options) to participate in rights issues which may be offered by the Company to its shareholders after the date of issue of the Options or in bonus issues or dividends.
7. If during the currency of the Options the issued capital of the Company is reorganised, the rights of the Option holder in respect of those Options may be varied to comply with the ASX Listing Rules which apply to the reorganisation.
8. If the Company makes an offer of Shares pro-rata to existing shareholders (other than a Bonus Issue and an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been allotted in respect of an Option before the books closing date for determining entitlements to the rights issue, the Exercise Price of the Option must be adjusted in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

## Lodge your vote:



**Online:**

[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:



(within Australia) 1300 556 161  
(outside Australia) +61 3 9415 4000

LCK

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

XX

|   |  |
|---|--|
|  <p><b>Vote online</b></p> <ul style="list-style-type: none"> <li>• Go to <a href="http://www.investorvote.com.au">www.investorvote.com.au</a> or scan the QR Code with your mobile device.</li> <li>• Follow the instructions on the secure website to vote.</li> </ul> |  |
| <p><b>Your access information that you will need to vote:</b></p> <p><b>Control Number: 999999</b></p> <p><b>SRN/HIN: I9999999999 PIN: 99999</b></p> <p>PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.</p>  |  |

 **For your vote to be effective it must be received by 9:30am (Adelaide time) Monday 20 August 2018**

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form →**

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1

#### Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Leigh Creek Energy Ltd hereby appoint

☐

the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Leigh Creek Energy Ltd to be held at Level 11, 19 Grenfell Street, Adelaide SA 5000 on Wednesday 22 August 2018 at 9:30am (Adelaide time) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Items 3, 4, 5, 6, 7 and 8** (except where I/we have indicated a different voting intention below) even though **Items 3, 4, 5, 6, 7 and 8** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Items 3, 4, 5, 6, 7 and 8** by marking the appropriate box in step 2 below.

### STEP 2

#### Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

##### Business

|  | For                      | Against                  | Abstain                  |
|--|--------------------------|--------------------------|--------------------------|
| 1 Approval to permit the Company to issue shares to China New Energy Group Limited | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 Ratification of issue of Placement Shares  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Approval of increase in aggregate fees payable to Non-Executive Directors        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Grant of Options to Mr Zhe Wang  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 Grant of Options to Mr Zheng Xiaojiang   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 Grant of Options to Ms Jordan Mehrtens   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 Grant of Options to Mr Justyn Peters   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8 Grant of Options to Mr Phillip Staveley  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN

#### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_

Date

LCK

240781A

Computershare +