



LEIGH CREEK ENERGY



ANNUAL REPORT 2016



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Reliable energy for South Australia

Forward looking statements: This report contains forward looking statements which are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to vary materially from those expressed or implied in such forward looking statements. Leigh Creek Energy Limited does not make any representation or warranty as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. The forward looking statements reflect views held only as at the date of the Report.

- **Successful completion of \$10M Placement**

Placement of 35,374,969 shares to investors at an issue price of \$0.30 per share

- **Strategic partnership with Shanghai Electric Power Generation Group**

To work towards the generation of reliable gas fired base load power in South Australia

- **Strategic partnership with APT Pipelines Limited**

Developing conceptual plans for connection to the east coast gas markets

- **Building of the LCK team**

New key personnel supporting the Company objectives

- **Commencement of drilling**

Enabling the collection of data for modelling and environmental baseline studies



Dear Shareholders,

I am pleased to be able to report that Leigh Creek Energy Limited (LCK) has reached a number of significant milestones during the year enabling the progression of the Leigh Creek Energy Project (LCEP).

We commenced the 2014/15 financial year with the clear direction of producing methane and then subsequently fertiliser from the LCEP. However, over the course of the year, it became apparent that due to changing market conditions in South Australia that electricity generation should become a key component of the LCEP. South Australia has seen a confluence of events that have led to the attractive commercial position of being able to produce cheap reliable base load power for external customers.

We have seen the closure of the Pt Augusta Power Station, the closure of the Leigh Creek Coal mine by Alinta Energy, the increase in non- base load wind power, and talk of decommissioning of coal fired power stations in Victoria. Cumulatively these events have put increased pressure on the ability of large electricity users in South Australia to be able to secure base load power without risk of disruption and at a reasonable price.

Operationally, the Company delivered on two key goals to certify the coal and gas resources at Leigh Creek. In January 2016, the Company announced the achievement of a 2C SPE-PRMS ISG gas resource of 2,963.9 PJ at the LCEP reported in accordance with the Society of Petroleum Engineers – Petroleum Resources Management System. This report followed, and utilised the Geological Modelling Report announced in December 2015, which had provided the estimate of the Inferred Coal Resource reported in accordance with the JORC Code 2012.

The achievement of a gas resource of this size is significant, particularly in the context of the Eastern Australian Gas Market. This is an exciting and important milestone in the development of the LCEP and underpins our original assumption that the LCEP contains significant quantities of recoverable gas. The independent gas resource certification helps accelerate the LCEP development as it provides added confidence to domestic and international buyers of gas, investors in LCK and future debt providers.

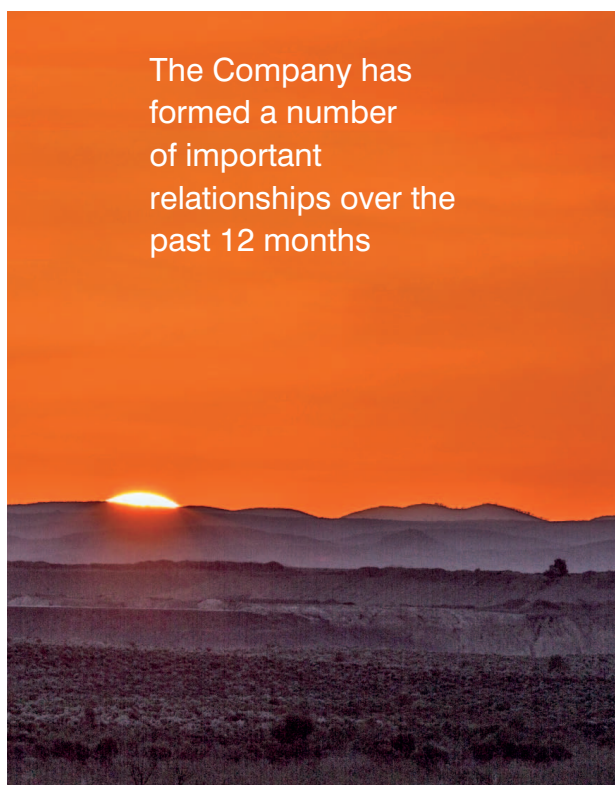
Whilst the Company was to initially undertake a drill program in order to certify the resources, we were fortunately able to access key historical data late last year. This discovery was important and allowed the project to progress quickly and efficiently at reduced spend. The operational milestones that we have reached have been possible due to a diligent,

professional and experienced team who have and continue to deliver the engineering, environmental, geological, and community work required. This team has been built up over the past year to include a number of key personnel, and has been led by the General Manager Technical Mr Justin Haines.

In addition to the expanding operational team, we maintain and continue to strengthen the corporate team. We continue to strengthen the board with members with suitable skill sets and we are very pleased to have both Mr Greg English and Mr Murray Chatfield join as Independent Non-Executive Directors. We will continue to work towards having a board where there is a majority of Independent Non-Executive Directors and expect this to occur during the 2016/17 year.

The Company has formed a number of important relationships over the past 12 months, and I am extremely pleased to report that in April 2016 the Company signed a Heads of Agreement with Shanghai Electric Power Generation Group, to discuss the formation of a joint venture company to build, own and operate a gas fired power station in South Australia. This relationship is important for the Company and the State as the building, owning and operating of a power station ensures the success of the LCEP and has the ability to provide cheaper, reliable base load power to industries and mines in South Australia.

The Company has formed a number of important relationships over the past 12 months





Leigh Creek Energy remains focused on delivering the LCEP and in the short term reaching gas demonstration

The Company also announced the signing of a non-binding Heads of Agreement with APT Pipelines Limited, a subsidiary of APA Group. Under this Heads of Agreement, the Companies have been working together and reviewing the connection of the LCEP to the eastern Australian gas markets.

The Company continues to maintain a strong relationship with Archer Exploration regarding the use of the LCEP gas, electricity and waste heat, and with AET Investments on the establishment of an ammonium nitrate plant to produce nitrogen based fertilisers for South Australian farmers who must now import 100% of their requirements.

At Leigh Creek, we are working closely with Alinta Energy and the wider Leigh Creek and Copley communities and we have gained considerable support for the project.

Leigh Creek Energy remains focused on delivering the LCEP and in the short term reaching gas demonstration. To reach this goal, significant environmental baseline studies are required but are yet to be completed. However, this monitoring is well underway and has been assisted by the Company's recent capital raise.

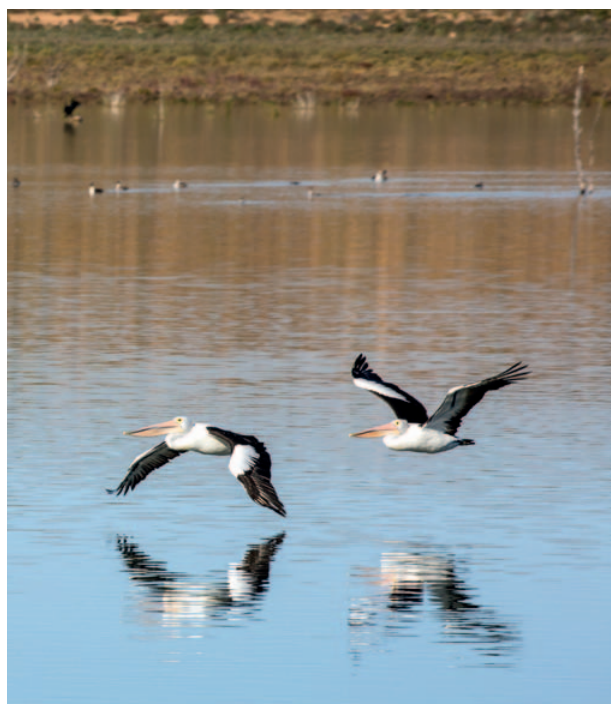
Despite difficult market conditions, the Company raised \$10.77 million through a private placement announced April 2016. This placement, securing our financial position, was another important step forward for the Company.

As a company we have some very big milestones to both meet and achieve over the next 12 months. Amongst them being securing binding off take agreements for electricity and gas, the furtherance of our relationships with APT, Shanghai Electric and Archer Exploration, and most importantly the completion of baseline studies, and approvals permitting the pre-commercial gas demonstration at Leigh Creek.

I would like to thank all of our shareholders for your support over the last 12 months and all our employees and contractors for your commitment to the Company and our achievements of the last year and look forward to updating the market of our progress over the next 12 months.

Sincerely,

Mr Justyn Peters
Executive Chairman



Dear Shareholders,

I am extremely pleased to be able to share with you our progress and plans with you at this time of rapid growth as we move quickly towards pre-commercial gas demonstration and then commercial gas production aimed for 2019. We intend to commence with power generation, for our own needs and those of nearby major customers, and then move quickly to gas sales via a new pipeline linking us to the major pipeline system and from there to customers across Eastern Australia. We are also, now, investigating opportunities to produce peaking power so that we can provide electricity to South Australia at times of high demand when wind energy is not dispatching at high volumes.

Our motto 'Reliable Energy for South Australia' is important to us for many reasons. The State is suffering from high unemployment, high gas prices (recently doubled), high power prices (recently almost tripled) and unreliable power supply. At the same time our expected low power costs and potential opportunities to consume or sequester carbon dioxide (CO₂) should reduce our environmental footprint.

More widely the East Coast of Australia is expecting gas shortages due to the impact of the new Liquefied Natural Gas (LNG) projects in Queensland which have combined to more than triple gas demand. On the supply side Governments in many states have acted to restrict new gas developments either by not supporting clear legal frameworks or on environmental grounds.

The changing gas and electricity markets place LCK in a strong position given our certified recoverable gas resource position of 2,964 PJ (near 3.0 TCF) and our location within a state with strong government support and at Leigh Creek with its substantial existing infrastructure.

The LCEP is advancing rapidly towards pre-commercial gas demonstration aimed for the March quarter of 2017. We then aim to head into full field commercial planning, engineering and to move through the commercial approval process.

Together these factors help support our ambition to create wealth for shareholders, jobs and royalties for South Australia and also help enable our local communities as well as existing and new businesses.

Year Ended 30 June 2016

LCK incurred a loss of \$5,366,248 for the year ended 30 June 2016 and LCK will pay no dividend.

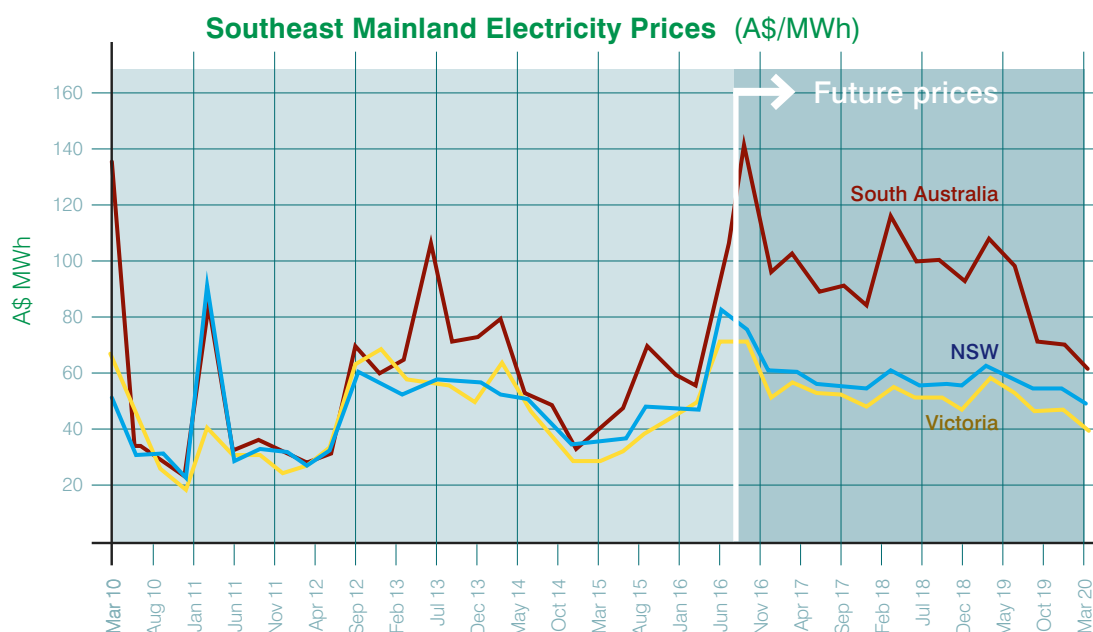
The current year loss is due to pre-development spend on the LCEP and associated administration and support efforts and was funded by raising equity from shareholders and also from the full sell down of shares we owned in ourselves.

The comparison with the 2015 year loss of \$17.6 million is problematic as that year incorporated a reverse takeover (at June 29) which incurred a non-cash charge of \$16.7 million to the profit and loss

We ended the current year with \$8,659,369 cash at hand.

Reliable Energy Needed - Electricity

Power prices being offered in South Australia for the period 2017-2019 have near tripled compared to recent years and power outages are now occasionally occurring.



Source: Data from the Australian Energy Regulator.



In South Australia, disruption to normal power supply is now not uncommon

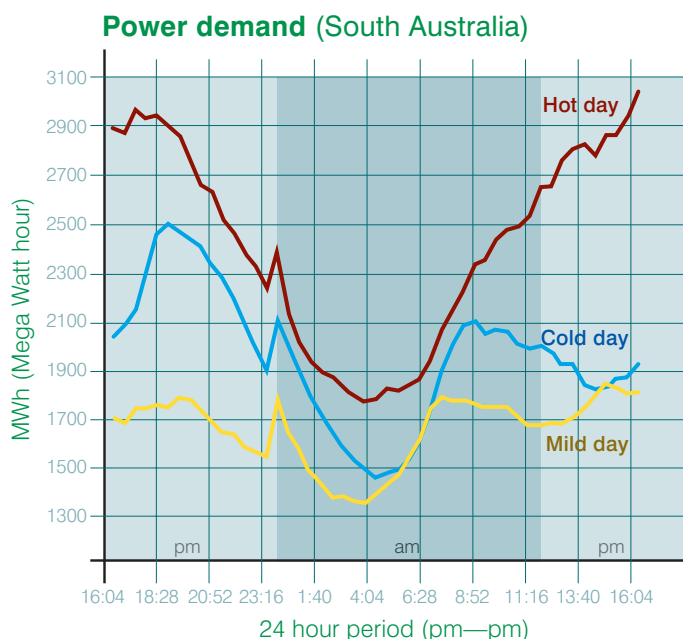
South Australia's dedication to renewable energy (wind and solar) sees it ranked number 1 in Australia in terms of installed capacity as a share of total capacity. The ageing electricity grid across Eastern Australia was designed originally for generally one way flows of electricity originating from base load power stations and heading towards customers.

Electricity supply has also altered. Gas fired peaking stations can fire up or down quickly. Solar energy ramps up into the middle of the day, generally at people's homes when electricity is not required, and drops off as night falls. Wind energy is available only when there is adequate wind.

These factors have put enormous strain on the electricity network, the poles, wires, substations and transformers – which ideally need an overhaul to better cope with variable direction flows. Disruption to normal power supply is now not uncommon.

This means that when power is not available in South Australia to meet demand, the State is reliant on the interconnector with Victoria. Unfortunately the interconnector itself can go down, due to maintenance or bushfire. The interconnect can also fail to provide electricity if Victoria is suffering a heatwave itself and thus absorbs local electricity generated, leaving nothing for those sweltering in the heat in Adelaide and surrounding population centres.

Power demand is obviously dependent on weather conditions in terms of variable demand. Variable demand arises from such things as TV's being turned on in the evening and air conditioners being switched on during summer. The swing between hot day (red), cold day (blue) and mild day (yellow) power use is dramatic, as shown in the following graph which highlights instantaneous power demand across South Australia in MW for a typical 24 hour period from 4pm in the afternoon through the lows at 4am and back to 4pm in the afternoon.



Source: Data obtained from the Australian Energy Market Operator

South Australian manufacturing and mining industries require reliable power supply at a reasonable price. At this time we are advancing discussions with major power users and expect to develop agreements which will allow both parties to co-ordinate planning ahead of signing electricity supply agreements.

Our aim is to have a win: win. Large users get a long term secure supply of electricity at a reasonable price so they can make capital allocation decisions. For LCK long term contracts help support our financing efforts and lock in margins so we can create annuity streams.

Reliable Energy Needed - Gas

The Australian regulator is predicting gas shortages across the East Coast gas network from late 2018 due to the impact of high gas demand from the new export LNG facilities in Queensland.

Gas prices have doubled in the last few years, from \$3:50/GJ towards around \$7:00/GJ and many predict gas prices to rise even further. Spot gas prices during the recent cold weather in Southern Australia exceeded \$20:00/GJ.

New gas supplies would in normal circumstance limit expected shortages and new developments and or gas exploration would act to secure much needed new gas reserves. However, this general supply response to rising prices and predicted shortfalls has been hindered by numerous factors:

- *Low oil prices have reduced energy company cash flows and harmed balance sheets – with the result of cuts to exploration budgets.*
- *Environmental agitation has increased in specific jurisdictions, sometimes with government support (particularly, NSW, Victoria and Queensland) and this has increased legal uncertainty that has – halted, reduced or delayed new gas developments.*
- *Victoria introduced a Moratorium for new onshore oil and gas exploration.*
- *Queensland recently introduced tougher environmental legislation making directors prosecutable ahead of Companies being found guilty and even placing shareholders liable for environmental matters.*

Our marketing efforts have confirmed strong interest in new gas supply and we anticipate this will increase as time unfolds and as we head towards and successfully complete our pre-commercial gas demonstration.

The Australian regulator is predicting gas shortages across the East Coast gas network from late 2018

Low Emission Energy

As the world moves to reduce CO₂ emissions it is beholden on LCK to strive to minimise our own environmental footprint. We are investigating various methods of sequestration (e.g. in ISG cavities or rapid forest establishment) as well as consumption of CO₂ in fertiliser manufacture or other products derived from our gas.

Government Support

A day does not go by when the wider LCK family does not celebrate its original decision to focus on opportunities within South Australia, both because of the tremendous support we receive in South Australia but also when we see the impacts of the various forms of lack of government support in gas projects elsewhere.

We feel we are very much in partnership whereby we work closely with government, as we follow pre-defined and a prescribed regulatory process. We operate largely within the Petroleum Act which is clear legislation and provides legal certainty for our project.

The government departments we deal with, primarily the Department of State Development, are highly professional, efficient and pro-active. It is not surprising then, that South Australia is repeatedly named as one of the best destinations globally for its support of the Petroleum industry as confirmed in the annual Fraser Institute Surveys (originated in Canada).

Such accolades open doors overseas for LCK and definitely aid our financing efforts both with potential shareholders and with banks (future debt providers). When I share the LCK story with overseas parties the first question is always about 'What level of legal clarity and government support do we have?' and I am happy to provide our response. This contrasts strongly with how other Australian states deal with the Gas Industry whereby some Australian States are being named as 'off-limits for new investment'.





The reliability of power and the price of power is a critical issue for all South Australians

Community Engagement

Following an extensive community engagement program, LCK is well known across a wide area of South Australia. We have the potential to positively impact thousands of people directly and tens of thousands indirectly in regional communities.

The reliability of power and the price of power is a critical issue for all South Australians, but even more so in communities suffering major job losses such as Whyalla, Port Augusta and Leigh Creek itself following the closure of the Leigh Creek Coal mine in November 2015.

We hope to help enable the survival of existing businesses in these communities as well as enable major investment decisions to be made by companies in our region who may like to expand and promote other opportunities for new industries in the region.

LCK is committed to using suppliers from South Australia and in particular from the Upper Spencer Gulf Region wherever possible. It is our hope that this strategy will be proven effective in the coming year during the construction and operation of the pre-commercial demonstration facility.

Having effectively provided ongoing information to the community in the previous year about the LCEP, LCK will now move to a more formal, structured community engagement effort as we ensure that we engage with the community more broadly.

LCEP Location

As you know we operate in and around the Leigh Creek Coal Field. Although the former coal mine has ceased coal production, Alinta Energy staff remain at site dedicated to various tasks including rehabilitation. We therefore interact with Alinta staff and contractors and I wish to take this opportunity to thank Alinta for their support of LCK as our efforts ramp up.

There is existing infrastructure at the site resulting from the past open cut mining operations. If we can negotiate long term access to this infrastructure with Alinta then LCK

will derive significant benefits in terms of cost and time to production. Access to the existing rail line would also allow for the import of supplies and the export of finished goods.

Research and Development

Our commitment to innovation extends beyond being the first to develop a commercial ISG project in Australia, which in itself benefits from the interaction of existing oil industry technology, plant and equipment when configured appropriately.

We also have the opportunity to best utilise by-products and waste products in order to maximise financial returns and minimise our environmental footprint. In particular we aim to consume or sequester much of our CO₂.

It is early on in our R&D investigations but we note that we should have abundant low cost energy, and waste heat which if utilised appropriately can support low cost sequestration of CO₂ both underground and also in nurseries supporting rapid growth trees.

Working Smarter

In addition to our research and development activities, LCK recognises that it operates in the “new” economy. We deliberately and constantly look for smart ways to apply modern technology where there is a potential to improve our performance. One example of this is the use of virtual reality.

As an aide to our investor relations effort we have commissioned a virtual reality video using Convergen of Adelaide.

Interested parties will soon be able to experience a visit to the LCEP site via full surround virtual reality. They will be able to experience the following over a period of a few minutes:

- *Inspect the significant established infrastructure at Leigh Creek; town, airport, railway, sealed roads, optic fibre, fresh water dam and power to site.*
- *Visit the Leigh Creek Coal Field where coal has been extracted since the 1940's to see the extent of existing infrastructure and the altered nature of landforms.*



Adnyamathanha People

LCK acknowledges and respects the culture and history of the Traditional Owners, being the Adnyamathanha people, of the lands around the region in which we operate.

LCK is committed to positive engagement with Adnyamathanha Traditional Land Association (ATLA) and the participation of indigenous people on the LCEP and associated infrastructure.

Financing

LCK requires capital until we reach the point of generating free cash flow. At present, we are analysing options spanning the spectrum between debt and equity and in this regard I wish to thank EAS Advisors LLC for their planning efforts and strategic advice.

The LCEP has many components that are essentially infrastructure in nature:

- *Gas pipeline*
- *Power generation*
- *High voltage electricity transmission*
- *Oxygen plant*

These lend themselves to appropriate gearing and indeed could be built and owned by others.

We have attracted and enjoy our relationship, at present via, Heads of Agreement with APA Group – Australia's largest pipeline owner and also Shanghai Electric Power Generation Group (Or Shanghai Electric Corp.) - one of the world's largest manufacturers of turbines and electricity generation plant and equipment.

LCK will need additional equity and the vast bulk of this is intended to come from the proceeds of a farm out of part of the LCEP. This effort has now commenced and anticipated to be final after pre-commercial gas demonstration has occurred.

The Year Ahead 2016/17

Much work is already underway and indeed the milestones planned require considerable additional internal effort and external support. Our spend will rise as our key focus is to:

- *Operationally – safely conduct pre-commercial gas demonstration at the LCEP.*
- *Feasibility – complete commercial scale prefeasibility studies.*
- *Planning – add to full field commercial gas development engineering and approval efforts.*
- *Widen and deepen our relationship with the communities in which we operate.*
- *Widen and deepen our relationship with global capital providers (debt and equity).*
- *Sell off, via farm-out, part of the LCEP where we presently enjoy 100% ownership.*

Conclusion and Thanks

LCK is presently gearing up efforts in support of approvals and the necessary engineering efforts ahead of commencing “pre-commercial gas demonstration” at the LCEP. Around this focus is wide ranging and growing efforts that span such fields as safety, community engagement, environmental science, finance, commercial work, investor relations and many other disciplines.

We are also seeking to add more professionals to the team and our board and further integrate ourselves in our community so that our dream of ‘Reliable Energy for South Australia’ can be realised for the betterment of many.

I wish to take this opportunity to sincerely thank our staff, contractors, shareholders and the many stakeholders in our wider community that we touch on a daily basis for their support of LCK. The company has experienced rapid growth on all fronts over the last year and is actively managing further growth. Such success and effort can only be successful with the hard work and generosity of spirit of all concerned. Having been at the start of the LCK story it is simply wonderful to witness the progress and momentum now gathering.

I look forward to the challenges of the year ahead and to reporting to you all frequently as tangible progress occurs.

Sincerely,

David Shearwood
Managing Director





ISG consumes less surface water and generates less atmospheric pollution compared to surface gasification

A New Energy Source for South Australia

The LCEP represents a significant new energy source that can support:

- reliable power generation in South Australia.
- add to gas supply on the East coast of Australia.
- feed fertiliser and explosives manufacture (replacing imports) for South Australia for the State's farmers and mining industry.
- capture, consumption and sequestration of quantities of CO₂.

The range, size and timing of the LCEP stages requires careful consideration as planning progresses.

We expect our present level of certified recoverable gas resources (2C: 2,963.9 PJ) to be a candidate for upgrade in early 2017 once the pre-commercial gas demonstration phase is complete and given that ISG is a replication process effort and differs from conventional oil and gas projects which suffer from reservoir risk. Reservoir risk describes the way petroleum production has a plateau rate and a decline curve. ISG is simply repeated.

In addition two themes have eventuated over the last year and have acted to focus our attention, being:

- *The problems within the electricity industry in South Australia are larger than we first imagined – principally because the closure of coal fuelled base load power stations at Port Augusta have left the western part of the State vulnerable to power disruption and some of the highest electricity prices in the country; and*
- *Perception is catching up with reality in the gas industry whereby gas customers are more open to higher prices and are seeing spot gas prices spiking upwards.*

Our focus has always been power generation first, to meet our own internal needs ahead of gas sales via a new pipeline.

In the last six months this focus has been augmented to include power generation for external sales, because:

- *We believe this is a profitable and less complicated initial stage as we are simply adding additional power generation and working with the players within the high voltage network to connect into, and interact with, the system.*
- *There is interest from major customers for reliable long term base load electricity supply; and*
- *This stage is a low capital cost effort which should produce significant cash flows - this gives greater flexibility to our longer term capital needs.*

We have recently commissioned ElectraNet to provide advice around high voltage electricity transmission, route options, and advice around connection to the grid and participation within the National Electricity Market (NEM).

ElectraNet is the largest owner of electricity transmission assets in South Australia and provides advice to market participants (generators and load – being users of electricity).

We have also identified the opportunity to produce peaking power, being power which swings into times of electricity supply shortfalls, generally being when wind power is despatching at low levels at times of high power demand. Peaking power can start up and cease quickly.

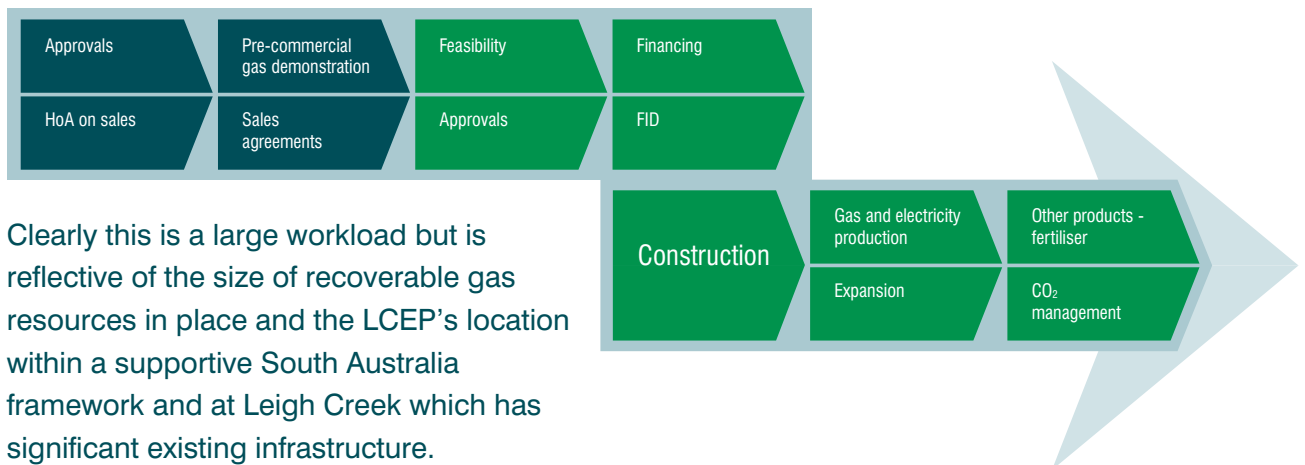
We have recently commissioned CQ Partners to undertake analysis of historical electricity market data and forecasts so that we can best determine the initial viability of power peaking assets.

CQ Partners is a leading advisor to energy participants.

Stages of the LCEP

The LCEP comprises many separate major components with most sequential in terms of timing and thus there are commercial, engineering and commissioning issues to be considered as we head towards full field commercial development. We are now conducting 'trade off analysis' and commencing feasibility studies across many opportunities. To emphasise the nature of the stepped aspects of the LCEP we outline details as follows:

Capital investment costs and syngas production costs are less than surface gasification



Stages of the LCEP

The LCEP comprises many separate major components with most sequential in terms of timing and thus there are commercial, engineering and commissioning issues to be considered as we head towards full field commercial development. We are now conducting 'trade off analysis' and commencing feasibility studies across many opportunities. To emphasise the nature of the stepped aspects of the LCEP we outline details as follows:

Clearly this is a large workload but is reflective of the size of recoverable gas resources in place and the LCEP's location within a supportive South Australia framework and at Leigh Creek which has significant existing infrastructure.

Fertiliser and Explosives

A prefeasibility study will be completed in 2016/17 following the pre-commercial demonstration project. One of the likely outcomes is that an attractive pathway in full commercial operation will be the production of ammonium nitrate.

The bulk of the world's fertiliser and explosives, by volume, is based on ammonium nitrate (AN) and these products are 100% imported into South Australia resulted in generally high prices for end users being farmers, mines and quarries.

AN is usually produced by purchasing methane (CH₄) which is treated to extract hydrogen via a capital and energy intensive process.

The LCEP will produce significant quantities of hydrogen as a by-product of the ISG process and if we choose we can

either manufacture AN ourselves or sell hydrogen over a fence to nearby and captive new AN facilities.

Hydrogen is valuable to us and has a number of potential end uses, as follows;

- *Some can go to power generation – however too much in the gas fuel mix can negatively impact the 'wobbe index' – because hydrogen burns faster than most fuels.*
 - > *Hydrogen when burnt to make electricity produces water as its only waste product.*
- *Hydrogen can be reacted with carbon monoxide (CO) to produce additional methane (CH₄) – however this requires additional plant.*
- *Hydrogen can be consumed within AN manufacture for fertiliser and explosives sales.*

Hydrogen is the smallest of molecules making it difficult and expensive to transport and therefore we are not considering its sale or use outside the area of the LCEP itself. Initial market inquiries indicate a ready market in South Australia for fertiliser and explosives due to their current 100% imported and high cost nature.

Initial financial analysis indicates the best way to monetise excess hydrogen production at the LCEP is to sell hydrogen over the fence to a new and nearby AN facility, possibly owned by a third party.

LCK continues to meet with AETI investments regarding opportunities within the fertiliser area.

LCEP Description

Geology

Appraisal drilling planned for Q4 2015 was deferred because of the uncovering of previously unavailable historic information. The data included geophysical logging, coal quality data and original coal samples from the target seams at the LCEP.

The coal samples from the LCEP target coal seams were utilised for coal gasification testing, which showed that the Leigh Creek coal was capable of producing ISG Syngas at the rate of 15.2 GJ/tonne of coal gasified. This information underpinned the PRMS ISG Gas Resources certification work.

Assimilation and assessment of drill hole data and testing of coal samples resulted in a coal geological model and resource estimate being developed by GeoConsult Pty Ltd (GeoConsult), resulting in LCK announcing a coal Inferred Resource of 377 Million Tonnes (Mt) at the LCEP reported in accordance with the JORC Code (2012).

The estimate is based on:

- A minimum seam thickness of 2m.
- A maximum stone parting thickness of 1m.
- ISG Resources were limited to a minimum overburden thickness of 200m.
- Opencut Exploration Targets were limited to a maximum overburden thickness of 200m.
- Opencut Exploration Targets were limited to a base of weathering grid model.
- A fixed Relative Density of 1.4, was applied for the Resource Estimation.
- Points of observation spacing of 4km, (1km past the last point) were used in the estimation where geological correlation supported lateral continuity.
- Areas associated with major faulting located on the south western basin edge (defined by seismic) have been excluded from Q and V Seam working section Resources. No faulting exclusions were applied from faults observed in pit mapping as full seam offsets were not observed.

Tenement block	Working Section	Thickness (m)	Depth (m)	Inherent Moisture (ad%)	Ash (ad%)	Volatiles (ad%)	Fixed Carbon (ad%)	Density (RD)	Area (ha)	Volume (m)	Tonnage (Mt)
PEL650 – ISG WS-G Block 1	F G1-G2-H1	2.0-16.0 Av. 7.1	200-366 Av. 276	15.2-17.1 Av. 15.8	6.2-20.6 Av. 10.8	23.9-29.5 Av. 27.7	33.6-47.5 Av. 42.9	1.4	159	11,300,000	15.8
PEL650 – ISG WS-G Block 2	F G1-G2-H1	2.0-7.1 Av. 3.68	200-301 Av. 245	17.1-17.8 Av. 17.7	11.6-12.8 Av. 12.6	27.8-27.9 Av. 27.9	41.4-42.2 Av. 41.6	1.4	24	900,000	1.3
PEL650 – ISG WS-L1 Block 1	L1	2.0-6.3 Av. 3.68	200-392 Av. 245	–	–	–	–	1.4	204	6,140,000	8.5
PEL650 – ISG WS-K2 Block 1	K2	2.0-6.7 Av. 3.3	200-413 Av. 307	–	–	–	–	1.4	301	9,970,000	13.9
PEL650 – ISG WS-Q Block 1	Q1-Q2-Q3	2.0-29.9 Av. 15.97	200-831 Av. 477	20.9-23.0 Av. 22.5	11.0-11.2 Av. 11.1	24.9-25.1 Av. 24.9	40.9-42.3 Av. 41.2	1.4	1069	170,800,000	239
PEL650 – ISG WS-V Block 1	V1-V2-V3-V4	2.0-13.7 Av. 5.4	201-866 Av. 517	18.4-18.8 Av. 18.4	15.9-17.4 Av. 16.0	25.2-25.4 Av. 25.3	37.0-37.8 Av. 37.7	1.4	990	52,800,000	74
PEL650 – ISG WS-W1 Block 1	W1	2.0-5.3 Av. 3.4	292-870 Av. 527	–	–	–	–	1.4	503	17,200,000	24.1
ISG-Project Total											376.6

Initial PRMS ISG Gas Resources Certification

On 8 January 2016, LCK announced an initial ISG Gas Resource at the LCEP of:

- 1C 2,747.7 PJ
- 2C 2,963.9 PJ
- 3C 3,303.1 PJ

This was independently assessed and certified by MHA Petroleum Consultants LLC (MHA) and reported in accordance with the Society of Petroleum Engineers –

Petroleum Resources Management System (PRMS). MHA was provided with the Geological and Modelling Report prepared in December 2015 by GeoConsult which provided the estimate of the Inferred Coal Resource reported in accordance with the JORC Code 2012.

Seismic survey

LCK acquired 18.3 line kilometres of new 2D seismic data at the LCEP in early 2016. This survey provided valuable data enabling LCK to select a specific site for the ISG pre-commercial gas demonstration facility.

Environment

LCK requires approval from various State government agencies before commencing Demonstration and Commercial ISG operations. Of particular relevance is the Department for State Development's requirements for an Environmental Impact Report under the Petroleum and Geothermal Energy Act, 2000.

To develop the Environmental Impact Report, LCK is currently undertaking environmental investigations, in accordance with Environment Protection Authority (EPA) guidelines, to identify existing environmental conditions to understand existing impacts and landform modification from historic mining and related operations in the Leigh Creek Coalfield. A major part of the investigations is development of a preliminary Conceptual Site Model to understand relationships between landforms, groundwater and historic operations and their current and potential environmental impacts.

In addition to the Environmental Impact Report, LCK is required to prepare a Statement of Environmental Objectives (SEO), in which we outline the environmental objectives to which our ISG activities will conform, and the criteria upon which the achievement of these objectives will be assessed. All of these criteria will be based upon baseline information being gathered in the environmental investigations.

Detailed baseline data collection activities planned or being undertaken at the Leigh Creek site include:

- *Downhole Contaminant of Potential Concern (CoPC) sampling to determine the presence and levels of naturally occurring CoPCs.*
- *Downhole in situ permeability testing throughout the coal basin sedimentary rocks.*
- *Shallow water monitoring bores to collect information about shallow groundwater.*
- *Pump testing to confirm permeability measurements and any potential connectivity between stratigraphic horizons.*
- *Installation of monitoring wells and water pressure sensors.*
- *Flora and Fauna surveys.*
- *Surface water sampling and monitoring.*
- *Air quality testing and sampling.*
- *Soil gas testing and monitoring.*
- *Fixed real time weather station.*

LCK is pleased to have partnered with local South Australian environmental consultancies in the development of environmental baseline investigations and approval documentation.



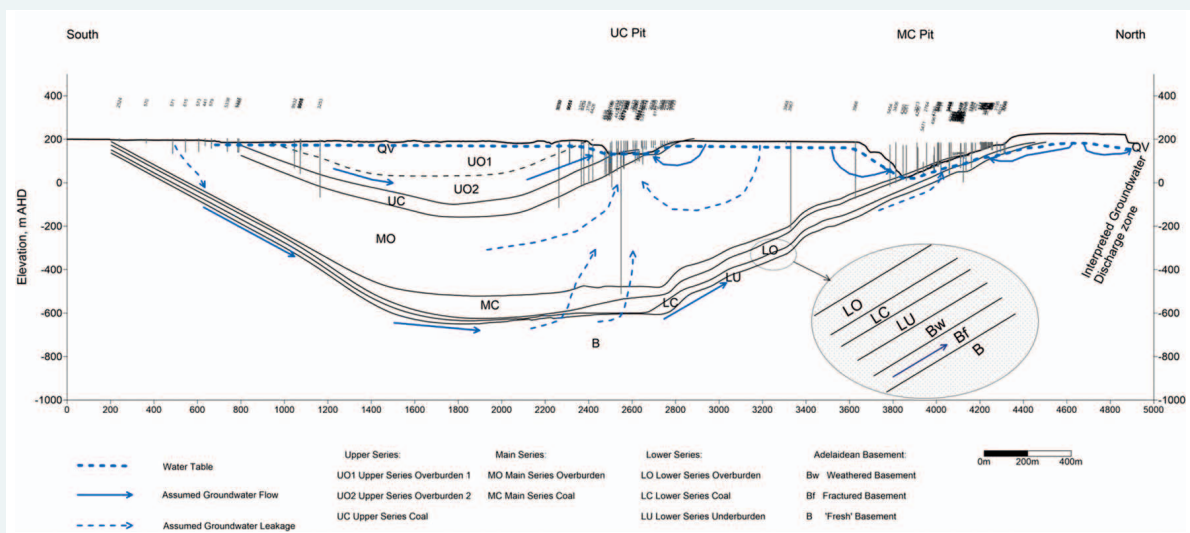
Local Native Fauna - Budgerigar



Local Native Fauna - Wallabies



Environmental surface water sampling offsite



Conceptual Hydrogeological section of the Telford Basin

Drilling

Drilling operations commenced at the Leigh Creek Energy Project Demonstration site during June 2016. The drilling program will initially comprise 3 drill holes that will collect a variety of important information at the preferred Demonstration Facility site. The data collected will include:

- Baseline environmental samples of rock and water including CoPCs within the rock and groundwater.
- Groundwater properties including porosity, permeability and the connectivity between the various coal basin strata and the surrounding rocks.
- Rock formation properties including geotechnical information which will be used to assess the strata stability during gasification and drilling.
- Coal and overburden samples for detailed gasification analysis.

The primary objectives of the drilling program are to supply environmental baseline, groundwater and rock strength data to inform the approvals and engineering design works. Additionally, coal and rock samples will be used for additional gasification test work. Results of this first stage of drilling are expected to be received through to September 2016.

Further drilling to install additional monitoring wells will be defined on completion of these initial wells.

Demonstration Facility

LCK has commenced the detailed engineering for the gasification Demonstration at the Leigh Creek Energy Project site. The Demonstration Facility is focussed on operating a single small gasifier to be able to collect gas quality, environmental and operational data to inform the Commercial Phase design.

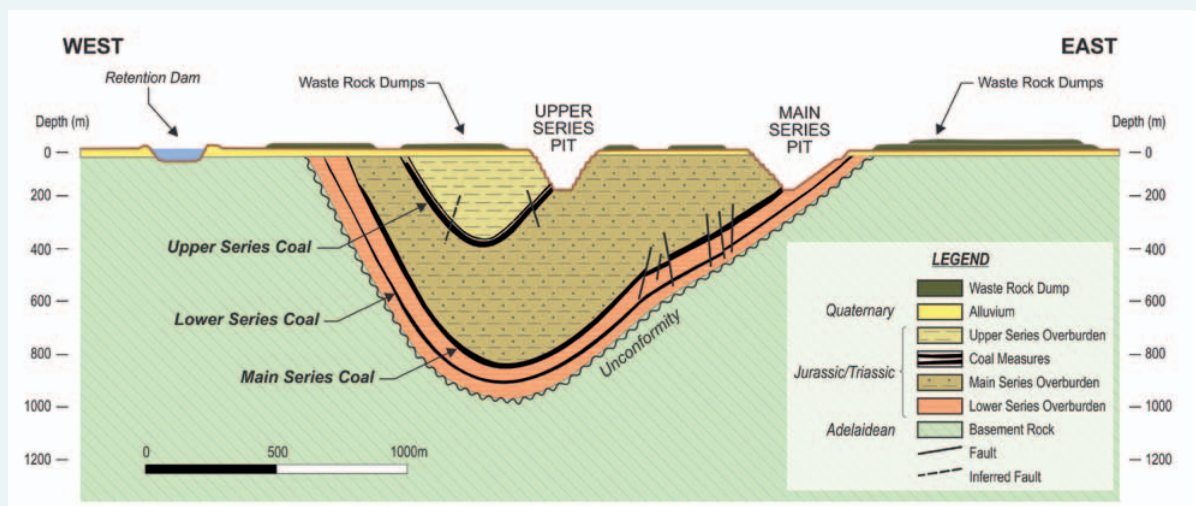
The challenge for LCK is to operate the Demonstration Facility in a way that safely, quickly and cost effectively assures the required environmental and operational outcomes. It will be a very small plant, with a limited operational life.

The Facility will comprise a series of air compressors feeding the below ground gasifier. Syngas will be extracted from the gasifier through a production well, after which the free water will be separated from the gas and measured and sampled. After gas analysis, the gas and free water will enter the thermal oxidiser where all components will be safely destroyed.

The Demonstration Phase activities undertaken during the year include engineering design of the surface and belowground equipment. Continuing through 2016 the Engineering Team will be focussed on finalising the process design, mechanical design, HAZOP risk assessment and the specification of piping, valves, instruments and control systems.

A risk based approach will be employed throughout the design, fabrication, operation and rehabilitation phases of the Demonstration to effectively control or mitigate potentially adverse outcomes.

LCK is continuing to work with the South Australian regulators, when appropriate, to ensure they are kept informed of the project's progress and have sufficient time and resources to effectively manage the Demonstration process.



Schematic Cross Section of the Telford Basin

In Situ Gasification (ISG) Process

Surface Coal Gasification and In Situ Gasification

Surface gasification of coal was originally used for making town gas. The first commercial gasification was used in the 1800's for industrial and residential heating and lighting.

In gasification, a thermo-chemical process takes place, rather than burning coal directly, to break down the coal into its basic chemical constituents. In modern gasifiers the coal is typically exposed to air or steam and oxygen under high temperatures and pressures. Under these conditions, molecules in the coal break apart, initiating chemical reactions that produce a syngas, typically a mixture of carbon monoxide, hydrogen and other gaseous compounds.

ISG and surface gasification can each be used to produce similar syngas that have identical downstream uses.

Gasifying the coal in situ (underground) allows the energy extraction from large coal resources that are not economically or technically recoverable by conventional mining techniques. The hazards related to conventional mining are also reduced. Surface disruption is minimised and handling of solid materials is eliminated i.e. coal and ash handling at the surface is not required. ISG consumes less surface water and generates less atmospheric pollution compared to surface gasification. Capital investment costs and syngas production costs are also less than surface gasification.

This description is provided to assist stakeholders to better understand our business



Core samples will be used for environmental analysis



Leigh Creek site.



Typical Knock-out Pots used in ISG Demonstration Facilities (Source: Carbon Energy 2012 Annual Report).

In Situ Gasification (ISG) Process

What is In Situ Gasification (ISG)?

Whilst ISG technology has been known since the 1800's, it was first adopted commercially in the Soviet Union during the 1930's and remains in use there today at the Angren plant in Uzbekistan which feeds a power generation plant. Recent advances in oil and gas technologies (notably directional drilling and computer-based process control) have combined to further enhance ISG to become more commercially attractive.

The ISG process occurs in deep (generally greater than 300m) coal seams (in situ). By creating the right process conditions (pressure, temperature, presence of oxygen or air, and sometimes steam) in the coal seam, a series of chemical reactions occur, which results in the gasification of the coal. Under this process the solid coal breaks apart into its component gases to produce a synthetic gas (syngas). ISG syngas is typically comprised of varying amounts of hydrogen (H_2), carbon monoxide (CO), and methane (CH_4) plus other gaseous compounds.

The process is controlled via the injection of air or oxygen into the coal seam. These are introduced to the seam via an injection well that is drilled vertically and then horizontally into the coal seam. The injection well is connected to surface facilities including the air, oxygen and steam supply equipment.

The syngas is extracted through production wells drilled in the coal seam to the surface where the gas is cleaned for use in downstream processes or direct sale.

To facilitate flow through the injection well, gasification zone and production wells, a "link" needs to be created to enhance the in situ permeability of the coal seam. This is best achieved by directional drilling which creates a tube shaped void along which gases can travel.

While the precise method to be utilised at the LCEP will be finalised during the front end engineering design phase of the project development work, based on preliminary work, it is anticipated that the establishment of the channel between the injection well and the production well will be achieved

by drilling a horizontal hole. Later, heating of the coal at various locations along the drill hole is likely to utilise the Continuous Retraction Injection Point (CRIP) method. This method has been proven at several ISG trial sites and is widely considered to be the preferred method for efficient production of syngas from underground coal seams.

In the CRIP process, the production well is drilled vertically and the injection well is drilled using standard oilfield directional drilling techniques in order to connect the wells as shown in Figure below.

Once the channel is established and the coal heated, a gasification cavity is initiated at the end of the oxygen (or air) injection well in the horizontal section of the coal seam. When the coal near the recently created cavity is consumed, the injection point is retracted, and a new gasification cavity initiated. In this manner, precise control over the progress of the gasification is obtained which leads to a more consistent gas composition.

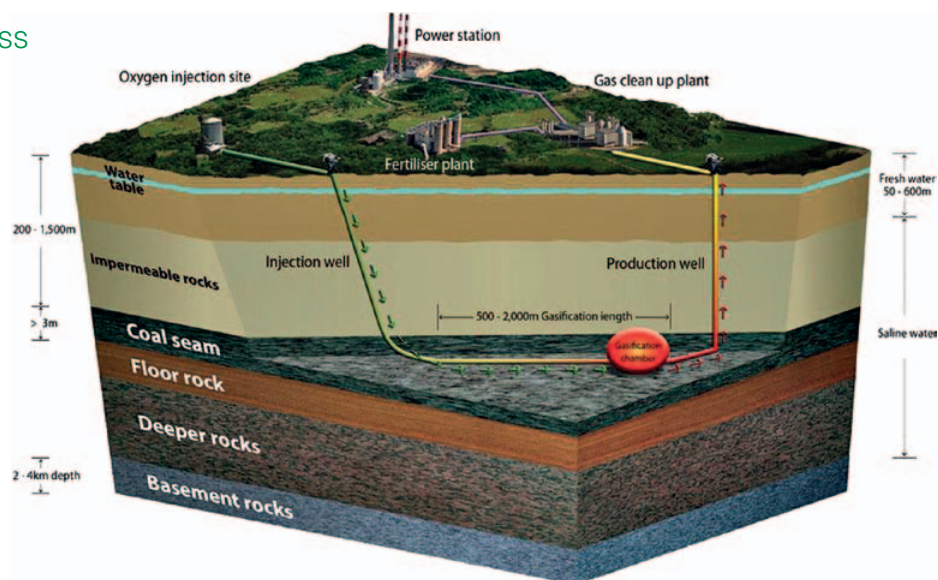
Once brought to the surface via the production wells the syngas is first separated and processed and is then available for use either:

- as feedstock for power stations
- for sale to gas customers (after separation of methane from the syngas)
- as ammonium nitrate (for the production of fertiliser and explosives, or
- for conversion to liquid fuels.

Standard petroleum and chemical industry plant and equipment is used within surface facilities. Coal gasification using mined coal has been conducted for over 100 years allowing a vast body of knowledge to be developed around cleaning and separating syngas produced by coal gasification.

The method of processing the syngas will depend upon the composition of the gas and the end product that the Company ultimately aims to produce.

ISG Process



Brief history of ISG

ISG was first proposed in the 1800's. The most significant development experience has been gained in the former Soviet Union commencing in the 1920's (although interrupted by the Second World War).

Following the discovery of cheap oil and natural gas throughout Russia in the 1970's and 1980's, the ISG development operations were generally scaled back as being unnecessary and uneconomic in comparison to the abundant cheap natural gas available at the time.

Following the break-up of the former Soviet Union only Kemerovo, in the Kuzbass region of Russia and the Yerostigaz station in Angren, Uzbekistan continued to operate, each producing up to 4 billion cubic metres of syngas per annum. The Kemerovo operation closed in 1996, leaving the Yerostigaz operation, located in Angren in Eastern Uzbekistan which had commenced its operations in 1961 as the only commercially operating ISG operation (www.yerostigaz.com). Syngas produced at Angren is used to produce electricity for the city of Angren.

ASX Listed Carbon Energy Limited announced on the 25 July 2016 that it had 'received formal confirmation from the Queensland Government's Chief Scientist, Dr Geoff Garrett AO, that Carbon Energy met the key recommendations of the government appointed Independent Scientific Panel (ISP) into underground coal gasification.' Dr Garrett stated 'it is clear that Carbon Energy has contributed to the collective understanding of UCG and the conditions under which the operation is likely to be both safe and successful.'

Former Australian Chief Scientist Professor Robin Batterham has also noted that Carbon Energy had established 'a world first scientific demonstration of an emerging technology from site selection, underground coal gasification with no deleterious impact and finally rehabilitation to conditions no worse than what existed at the start'.

In conclusion, whilst the ISG technology is proven, it is yet to be adopted on a commercial scale in the western economies. This gives LCK a distinct first mover advantage and the ability to monetise that advantage in the coming years.

Tenement Schedule

Petroleum and Mineral Tenements

Tenement	Percentage interest	Grant date	Location
Petroleum Exploration Licence 650	100%	18 November 2014	Leigh Creek
Petroleum Exploration Licence Application 582	100%	Under Application	Finniss Springs
Petroleum Exploration Licence Application 643	100%	Under Application	Callabonna
Petroleum Exploration Licence Application 644	100%	Under Application	Roxby Downs
Petroleum Exploration Licence Application 647	100%	Under Application	Leigh Creek
Petroleum Exploration Licence Application 649	100%	Under Application	Oakdale
Gas Storage Exploration Licence 662	100%	5 February 2016	Leigh Creek
Mineral Exploration Licence 5596	100%	17 April 2015	Leigh Creek
Mineral Exploration Licence 5597	100%	17 April 2015	Leigh Creek

Coal and Gas Resources

Tenement	Location	Coal Resource Category 2016	Coal Resource (Mt) 2016	Syngas Resource Classification 2016	Syngas Energy (PJ) 2016	Coal and Syngas Resources 2015
Petroleum Exploration Licence 650	Leigh Creek	Inferred	377	1C	2,747.7	—
				2C	2,963.9	—
				3C	3,303.1	—

Mineral Resource and Syngas Resource Governance and Disclosures

Mineral Resources are estimated in accordance with the requirements of the JORC Code, by qualified competent persons who are consultants to Leigh Creek Energy.

Syngas Resources are estimated in accordance with the requirements of the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, by qualified petroleum reserves and resources evaluators who are consultants to Leigh Creek Energy.

The Mineral Resource and Syngas Resource Statements in the 2016 Annual Report are reviewed by qualified consultants described above. For Mineral Resources, this is the qualified competent person, and for the Syngas Resource, the qualified petroleum reserves and resource evaluator.

Notes on Coal Resources: For the purposes of ASX Listing Rule 5.23, Leigh Creek Energy confirms that it is not aware of any new information or data that materially affects the information included in the 8 December 2015 Resources Statement and that all material assumptions and technical parameters underpinning the estimates in the Resources Statement continue to apply and have not materially changed.

The coal resource reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr Warwick Smyth of GeoConsult Pty Ltd. Mr Smyth is a Member of the Australasian Institute of Mining and

Metallurgy and the Australian Institute of Geoscientists, who has more than 25 years' experience in the field of activity being reported. Mr Smyth has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Mr Smyth consents to the inclusion in the report of coal resource estimates based on his information in the form and context in which it appears.

Notes on Gas Resources: For the purposes of ASX Listing Rule 5.43, Leigh Creek Energy confirms that it is not aware of any new information or data that materially affects the information included in the 8 January 2016 Resources Statement and that all material assumptions and technical parameters underpinning the estimates in the Resources Statement continue to apply and have not materially changed.

The Gas Resource estimates stated herein are based on, and fairly represent, information and supporting documentation prepared by Timothy Hower of MHA Petroleum Consultants LLC, Denver USA. Mr Hower is a member of the Society of Petroleum Engineers and has consented to the use of the Resource estimates and supporting information contained herein in the form and context in which it appears.



Leigh Creek Energy Limited ('the **Company**' or '**Leigh Creek Energy**') is a public company incorporated and domiciled in Australia and listed on the Australian Securities Exchange.

The Directors present their report on the group which comprises Leigh Creek Energy Limited and its controlled entities ('**Group**') for the year ended 30 June 2016.

Directors

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

- **Daniel Justyn Peters** (appointed 28.11.2014)
- **David Shearwood** (appointed 27.05.2015)
- **Gregory English** (appointed 22.09.2015)
- **Murray Chatfield** (appointed 30.06.2016)
- **Peter Williams** (appointed 21.05.2004)
(retired 15.10.2015)
- **Christopher Schacht** (appointed 24.01.2008)
(retired 30.10.2015)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on continuing Directors

Daniel Justyn Peters

LLB, BA (Politics/Jurisprudence) GDLP
– Executive Chairman

Experience & expertise

Mr Peters joined Linc Energy soon after its IPO. At the time Linc Energy was the world leader in ISG. In his 6 years at Linc Energy Mr Peters held the positions of General Manager Environment and Government Relations, General Manager Business Development, Executive General Manager Nth Asia and finished as Executive General Manager of Investor Relations. His experience across a broad range of business units within Linc Energy will prove invaluable in developing the Leigh Creek Energy project.

Previously Mr Peters was employed at the Queensland EPA as head of investigations and Compliance and then acting Director of Central and Northern Regions. He managed the integration of the environmental regulation of Qld Mining Industry into the EPA.

Current & former directorships in the last three years

None

Date of appointment

Mr Peters was appointed as Executive Chairman on 27 May 2015.

David Shearwood

B. Eng (Mining Hons) - University of Sydney (1984),
Grad Dip in App Fin (SIA) (2000), Prof Dip HR (AHRI) (2006)
– Managing Director

Experience & expertise

Mr Shearwood has 29 years' experience as a fund manager, strategist and investment banker at firms including Macquarie Bank, Westpac, QBE Insurance, Atom Funds Management, Du Pont and Rio Tinto. He founded Atom and developed a captive Australian equities research firm in Bangalore, India, to support the business in Australia which concentrated on small company investments. Mr Shearwood has travelled the world investigating mining, energy and infrastructure opportunities.

Mr Shearwood was one of the earliest fund managers in Australia to invest in the ISG industry. He has achieved top quartile performance as a fund manager and analyst across various sectors during his career with an emphasis on mining energy and infrastructure.

Current & former directorships in the last three years

None

Date of appointment

Mr Shearwood was appointed as Managing Director on 27 May 2015.



Information on continuing Directors

Gregory D English

LLB, B.Eng (Mining)

– Non-Executive Director

Experience & expertise

Mr English is an experienced and qualified mining engineer and lawyer with over 25 years of involvement in the resources industry. As a mining engineer he has worked on underground and open pit coal mines, including working as a mining engineer at the Leigh Creek Coalfield where he lived in the Leigh Creek town. As a lawyer Greg has acted for numerous oil and gas companies and advised on numerous gas marketing, gas transportation and similar transactions.

Greg's experience in the coal industry, and in particular his knowledge of the Leigh Creek Coalfield, and experience and contacts in the oil and gas industry is a significant asset to the Company.

Current & former directorships in the last three years

Archer Exploration Limited, Core Exploration Limited, West African Gold Limited.

Date of appointment

Mr English was appointed as a non-executive director on 22 September 2015.

Murray Chatfield

B Com Ag (Economics and Marketing), MBA, ACT, MAICD

– Non-Executive Director

Experience & expertise

Mr Chatfield has extensive experience within finance with nearly 30 years' experience within investment banking, hedge funds and corporate finance both in Australia and internationally. He was a senior Economist with the New Zealand government before joining Bankers Trust in London. He then moved into Hedge Funds initially as European Treasurer and then as a Partner and COO in a Relative Value Hedge Fund. He was the COO and Partner in a Australian based fund focussed on Global Macro events. He has been and is still, actively involved as a Director of several companies in the Commodity and Marketing areas. Mr Chatfield's career covers finance, treasury, accounting, operational efficiency, risk management (business, market, tax and regulatory), legal and regulatory compliance and direct financial market interaction.

Current & former directorships in the last three years

None

Date of appointment

Mr Chatfield was appointed as a non-executive director on 30 June 2016.

Jordan Mehrtens

LLB/LP, BCom(Fin), GDip(Planning)

– Company Secretary

Jordan is a qualified Lawyer, and has other qualifications in finance and urban and regional planning. Jordan has worked with the Leigh Creek Energy Project since its commencement, providing regulatory, compliance and other analytical advice. Jordan is a member of the Governance Institute of Australia and Australian Mining and Petroleum Law Association and performs the secretarial role in the Company.



PRINCIPAL ACTIVITIES

The principal activity of the Group was pursuing the development of its Leigh Creek Energy Project.

REVIEW OF OPERATIONS AND OPERATING RESULTS

The consolidated operating loss of the financial year to 30 June 2016 was \$5,366,248 (2015: (\$17,598,147) primarily as a result of applying reverse acquisition accounting). Additionally, expenditure incurred on the project capitalised as Exploration expenditure was \$1,739,813 (2015: \$710,667). In relation to cash flow, the stock of treasury shares were sold in November 2016 providing \$3.4m funds and a share capital raising was completed in May 2016 providing a further \$9.5m (net of capital raising costs) to provide funding for the pre-commercial phase.

On 25 September 2015, Leigh Creek Energy and Archer Exploration Ltd signed a Heads of Agreement whereby Archer will work with the Company to explore synergies on their respective Leigh Creek projects in South Australia. No amount has been recorded in the accounts at 30 June 2016.

On 15 December 2015, Leigh Creek Energy and APT Pipelines Ltd signed a non-binding Heads of Agreement which will allow the development of conceptual plans for the interconnection of the Leigh Creek Energy Project with the east coast gas market. No amount has been recorded in the accounts at 30 June 2016.

On 6 April 2016, Leigh Creek Energy and Shanghai Electric Power Generation Group signed a Heads of Agreement in relation to a future power generation plant located at Leigh Creek. No amount has been recorded in the accounts at 30 June 2016.

DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared since the end of the previous financial year.

LIKELY DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Approval is currently being sought for the pre-commercial development phase of the project. Successful completion of the pre-commercial phase may likely lead to interest in advance transactions over future gas production.

The Group will require further capital to sustain its activities.

CORPORATE GOVERNANCE

The Board of Leigh Creek Energy Limited is committed to achieving and demonstrating the highest standards of corporate governance and has adopted practices and policies in accordance with the ASX Corporate Governance Recommendations. The Corporate Governance Statement is noted on page 26.

AFTER REPORTING DATE EVENTS

The unlisted options issued on 20 July 2016 related to capital raising services provided in May 2016 in accordance with ASX announcement on 9 May 2016. The cost of these options were expensed in the financial year ending 30 June 2016.

ENVIRONMENTAL ISSUES

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

No notification of any breach of any environmental regulation has been received in respect of any of the Company's prior exploration activities during the year.

MEETINGS OF DIRECTORS

During the financial year, the number of meetings held at which a Director was eligible to attend and the number actually attended by each Director were:

Director	Board Meetings		Audit Committee Meetings	
	Meetings held	Meetings attended	Meetings held	Meetings attended
D J Peters	11	11	3	3
D K Shearwood	11	11	3	3
G D English	9	9	2	2
M K Chatfield	1	1	-	-
P L Williams	2	2	1	1
C Schacht	3	3	1	1

Given the nature of the Company's business as an energy development entity and the status of its activities during 2016, matters dealt with by the Board dictated no efficiencies or other benefits would be gained by having separate Audit and Risk Committee meetings on all occasions in the period under review. Issues relevant to the integrity of the Company's financial reporting ordinarily dealt with by an Audit and Risk Committee were dealt with by the full Board when expedient. The Company has standing agenda items at each Board meeting to deal with audit related matters normally carried out by the Audit and Risk Committee. In appropriate circumstances, the Board sought independent legal and accounting advice on pertinent aspects.

PROCEEDINGS

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

UNISSUED SHARES UNDER OPTIONS

At the date of this report, the unissued ordinary shares of Leigh Creek Energy Limited under unlisted and listed options are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
14 October 2015	14 October 2019	\$0.212	1,000,000
14 October 2015	14 October 2020	\$0.25	1,000,000
1 December 2015	31 July 2020	\$1.50	2,000,000
1 December 2015	30 November 2020	\$0.30	10,250,000
6 June 2016	6 June 2018	\$0.50	17,687,463
27 June 2016	31 October 2018	\$0.20	1,500,000
27 June 2016	31 October 2018	\$0.22	1,500,000
27 June 2016	31 October 2018	\$0.24	1,500,000
27 June 2016	31 October 2018	\$0.26	1,500,000
			37,937,463

Listed options (17,687,463) were issued in accordance with the prospectus for share capital raising in May 2016. For every 2 ordinary shares acquired, the shareholder would be issued 1 listed option to be exercised by 6 June 2018.

Previously issued 750,000 unlisted options expiring on 1 November 2015 at an exercise price of \$1.727 each, were not exercised and lapsed on that date.

An additional 2,300,000 unlisted options were issued on 20 July 2016 which related to capital raising services provided in May 2016 in accordance with ASX announcement on 9 May 2016. The cost of these options were expensed in the financial year ending 30 June 2016.

During the year ended 30 June 2016, and to the date of this report no ordinary shares of Leigh Creek Energy Limited were issued on the exercise of options. None of the options on issue entitles the holders to participate, by virtue of the options, in any dividend or share issue of any other corporation.

INSURANCE PREMIUMS AND INDEMNITY

Since the end of the previous year the Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses' insurance contracts.

The terms of the policies prohibit disclosure of details of the amount of insurance cover, the nature thereof and the premium paid.

The Company has indemnified the Directors and Executives of the Company for the costs incurred in their capacity as a director or executive, except where there is a lack of good faith.

DIRECTORS' AND EXECUTIVES' REMUNERATION – AUDITED

a) Principles used to determine the nature and amount of remuneration

The remuneration policy is designed to align the objectives of the Key Management Personnel with shareholder and business objectives by providing a fixed remuneration package to non-executive Directors and time based remuneration to Executive Directors. The Board of Leigh Creek Energy believes the policy to be appropriate and effective in attracting and retaining the best Directors and Executives to manage and direct the Group, as well as create goal congruence between Directors, Executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of board members and other Key Management Personnel of the Company is as follows.

The Company's Constitution specifies that the total amount of remuneration of non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive Directors has been set at \$500,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The remuneration of the Managing Director is determined by the non-executive Directors and approved by the Board as part of the terms and conditions of his employment which are subject to review from time to time.

The remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives but they may receive options or bonus payments subject to shareholder approval and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term, objective of maximising shareholder benefits through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of Leigh Creek Energy given the nature of the Company's business as an exploration entity and the current status of its activities. However, the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan, approved by shareholders, that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success for the Company and to maximise the long term performance of the Company.

As the Company is developing an energy asset which is not yet in production, in the opinion of the Board, the Company's earnings and the consequences of the Company's performance on shareholder wealth are not related to the Company's remuneration policy.

Voting at 2015 AGM

Of the total valid available votes lodged, Leigh Creek Energy received 99.91% of "yes" votes on its remuneration report for the 2015 financial year with the motion carried unanimously on a show of hands as an ordinary resolution. The Company did not receive any specific feedback at the AGM on its remuneration practices.

Use of remuneration consultants

The Company did not engage remuneration consultants during the year.

b) Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (KMP) of the Group are shown in the table below:

Directors	Year	Short term benefits			Post employment benefits	Termination benefits	Share based payments	Total
		Directors Fees	Salary and Wages	Other	Super Contributions	Termination payments ²	Options ¹	
D J Peters	2016	-	325,000	-	30,875	-	8,038	363,913
	2015	15,000	25,000	-	3,800	-	-	43,800
D K Shearwood	2016	-	297,917	-	28,302	-	8,038	334,257
	2015	-	22,916	-	2,177	-	-	25,093
G D English ³	2016	38,750	-	-	3,681	-	163,671 ¹¹	206,102
	2015	-	-	-	-	-	-	-
M Chatfield ⁴	2016	-	-	-	-	-	148,877 ¹¹	148,877
	2015	-	-	-	-	-	-	-
C Schacht ⁵	2016	13,222	-	-	1,256	-	-	14,478
	2015	30,833	-	-	2,929	-	-	33,762
P L Williams ⁶	2016	11,667	-	-	1,108	-	159,288	172,063
	2015	49,166	-	66,641	4,670	-	13,874	134,351
C Ryan ⁷	2016	-	-	-	-	-	-	-
	2015	13,687	-	-	-	-	-	13,687
J Linley ⁸	2016	-	-	-	-	-	-	-
	2015	27,500	55,000	-	7,838	3,997	-	94,335
Executives								
P J Staveley ⁹	2016	-	259,583	-	24,660	-	43,214	327,458
	2015	-	-	79,407	-	-	-	79,407
J Haines	2016	-	206,250	-	19,594	-	43,214	269,058
	2015	-	-	-	-	-	-	-
G Marsden	2016	-	250,000	-	23,750	-	43,214	316,964
	2015	-	-	19,636	-	-	-	19,636
S Appleyard ¹⁰	2016	-	-	33,124	-	-	-	33,124
	2015	-	30,667	-	24,996	18,598	-	74,261
Total	2016	63,639	1,338,750	33,124	133,226	-	617,554	2,186,293
	2015	136,186	133,583	165,684	46,410	22,595	13,874	518,332

Notes

- ¹ In accordance with the Accounting Standards, remuneration includes a proportion of the notional value of the options granted during the year. The notional value of options is determined as at the issue date and is progressively allocated over the vesting period. The amount included as remuneration is not indicative of the benefit (if any) that the employee may ultimately realise should the option vest. The notional value of the options as at the issue date has been determined in accordance with the accounting policy Note 15.
- ² The Termination payments aggregate amount of \$22,595 represents accumulated leave entitlements payable on resignation of salaried employees. No other benefits were paid.
- ³ Mr English was appointed as a Non-Executive Director on 22 September 2015.
- ⁴ Mr Chatfield was appointed as a Non-Executive Director on 30 June 2016.
- ⁵ Mr Schacht was a Non-Executive Director prior to his resignation on 30 October 2015.
- ⁶ Mr Williams was Deputy Chairman prior to his resignation on 15 October 2015.
- ⁷ Mr Ryan was a Non-Executive Director prior to his not being reappointed at the 2014 AGM on 20 November 2014.
- ⁸ Mr Linley was Managing Director prior to his resignation on 28 May 2015.
- ⁹ Mr Staveley was appointed as Chief Executive Officer on 10 February 2016.
- ¹⁰ Mr Appleyard was Company Secretary prior to his resignation on 30 September 2015.
- ¹¹ Options to be issued to Non-Executive Directors were agreed at the 30 June 2016 board meeting. As the remuneration is approved at the AGM, these are yet to be approved. Under accounting rules, the options need to be expensed in the financial year using 30 June 2016 as the provisional grant date. An adjustment to accounting expense is required when/if they are approved at the AGM.

c) Contracts of Service

The employment conditions, tenure and emoluments of the Managing Director and executives are evidenced in writing.

Name	Position	Duration of contract	Period of termination notice	Termination payment
D J Peters	Executive Chairman	3 yrs + 1 yr company option ¹	3 month	None
D K Shearwood	Managing Director	3 yrs + 1 yr company option ²	3 month	None
P J Staveley	CEO	Ongoing	3 month	None
J Haines	GM Technical	Ongoing	3 month	None
G Marsden	GM Commercial	Ongoing	3 month	None

Notes

- ¹ Commenced 26 November 2014.
- ² Commenced 27 May 2015.

d) Share-based remuneration

Unlisted options are granted to Directors and Key Management Personnel as part of their remuneration. The options are not granted based on performance criteria, but are issued to the relevant Directors and Key Management Personnel of the Group to increase goal congruence between executives, directors and shareholders. All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements. Options granted during this financial year:

Name	Number Granted	Grant date	Number vested	Vesting and first exercise date	Last exercised
D J Peters	1,000,000	1 December 2015	-	31 July 2016 ¹	31 July 2020
D K Shearwood	1,000,000	1 December 2015	-	31 July 2016 ¹	31 July 2020
P J Staveley	2,000,000	1 December 2015	-	31 July 2016 ¹	30 November 2020
J Haines	2,000,000	1 December 2015	-	31 July 2016 ¹	30 November 2020
G Marsden	2,000,000	1 December 2015	-	31 July 2016 ¹	30 November 2020
P L Williams	2,000,000	15 October 2015	-	15 October 2015	14 October 2020
G D English ²	-	-	-	-	-
M Chatfield ²	-	-	-	-	-
Total	10,000,000				

Notes

- ¹ Vesting date over four (4) tranches depending on key milestones being achieved.
- ² Options to be issued to Non-Executive Directors were agreed at the 30 June 2016 board meeting. As the remuneration is approved at the AGM, these are yet to be approved. Under accounting rules, the options need to be expensed in the financial year using 30 June 2016 as the provisional grant date. An adjustment to accounting expense is required when/if they are approved at the AGM.



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

These options issued in previous financial years, lapsed or were forfeited during the current financial year:

Name	Number of options forfeited (lapsed) during the year	Financial year in which those options were granted
P L Williams	750,000	2011

e) Other information

Number of Options held by Key Management Personnel

The number of options to acquire ordinary shares in the Company held during the 2016 reporting period by each of the Group's Key Management Personnel, including their related parties, is set out below:

Directors	Balance at start of year	Granted as remuneration	Other	Exercised	Lapsed	Closing balance	Vested & exercisable at the end of reporting period	Vested & unexercisable at the end of reporting period
D J Peters	-	1,000,000	-	-	-	1,000,000	-	-
D K Shearwood	-	1,000,000	-	-	-	1,000,000	-	-
G D English ²	-	-	-	-	-	-	-	-
M Chatfield ²	-	-	25,000 ¹	-	-	25,000	25,000	-
P J Staveley	-	2,000,000	-	-	-	2,000,000	-	-
J Haines	-	2,000,000	-	-	-	2,000,000	-	-
G Marsden	-	2,000,000	-	-	-	2,000,000	-	-
P L Williams	750,000	2,000,000	-	-	(750,000)	2,000,000	2,000,000	-
Total	750,000	10,000,000	25,000	-	(750,000)	10,025,000	2,025,000	-

Notes

¹ Mr Chatfield acquired 25,000 listed options as he participated in the share placement in May 2016. In accordance with the prospectus for the share placement, each shareholder received 1 option for each 2 shares acquired.

² Options as part of the remuneration package for the Non-Executive Directors have been approved by the board but need to be approved by shareholders at the AGM.

Number of Shares Held by Key Management Personnel

The number of ordinary shares in the Company during the 2016 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

Name	Balance at start of year	Granted as remuneration	Received on exercise	Other changes ¹	Held at the end of the reporting period
D J Peters	-	-	-	-	-
D K Shearwood	186,772	-	-	52,000	238,772
G D English	-	-	-	-	-
M Chatfield	-	-	-	1,308,914	1,308,914
P J Staveley	-	-	-	550,000	550,000
J Haines	-	-	-	-	-
G Marsden	-	-	-	250,000	250,000
Total	186,772	-	-	2,160,914	2,347,686

Notes

¹ Other changes include purchases during the financial year, new KMP on note disclosure.

In addition to the 238,772 ordinary shares held by Mr Shearwood, Mr Shearwood has a relevant interest in the 104,767,190 ordinary shares in Leigh Creek Energy Limited held by Allied Resource Partners Pty Ltd due to Mr Shearwood owning 20.9% of the issued capital of Allied Resource Partners Pty Ltd.

At the date of this report there is no known change in the number of shares held by the Key Management Personnel.

Related party transactions

An amount of \$11,667 is receivable from Allied Resources Partners, in which Executive Chairman Mr Peters and Managing Director Mr Shearwood have an interest. This is not subject to any terms, conditions or fixed payment dates.

END OF AUDITED REMUNERATION REPORT



AUDITOR'S INDEPENDENCE

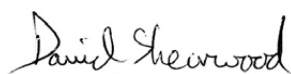
Grant Thornton Audit Pty Ltd continues in office in accordance with Section 327 of the *Corporation Act*.

The auditor has not been engaged during the year for any non-audit services which may have impaired the auditor's independence. The auditor's independence declaration for the year ended 30 June 2016 has been received and is included in this report.

Signed in accordance with a resolution of the Board.



D J Peters
Director



D K Shearwood
Director

Dated at Adelaide, South Australia this 15th day of August 2016

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the Board) of Leigh Creek Energy Limited (the Company) is committed to achieving and demonstrating the highest standard of Corporate Governance.

The Board guides the affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has responsibility for the overall Corporate Governance of the Company including its strategic direction, establishment of goals for its management and monitoring the achievement of those goals.

The individual Directors recognise that their primary responsibility is to the owners of the Company, its shareholders, while simultaneously having regard for the interests of all stakeholders and the broader community.

The statement outlines the Company's Corporate Governance Practices in place during the financial year. The Company's statement is made based on the ASX Corporate Governance Councils Corporate Governance Principles and Recommendations (3rd Edition).

Although the ASX Corporate Governance Council's Recommendations are not mandatory, under listing rule 4.10.3 companies are required to provide a statement disclosing the extent to which they have followed the recommendations in the reporting period, identifying any principles which have not been followed with reasons for not having done so.

The Group's corporate governance statement for the year ended 30 June 2016 is accurate and up to date as at 30 June 2016, and was approved by the Board on 15 August 2016.

The statement of revised principles and the Company's compliance with each principle are set out in the Company's website www.lcke.com.au

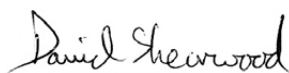
The Directors of the company declare that:

- 1) The financial statements and notes set out on pages 30 to 51 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
 - b) giving a true and fair view of the financial position as at 30 June 2016 and of the performance of the Group for the year ended on that date.
- 2) The financial statements and notes set out on pages 30 to 51 comply with international financial reporting standards as disclosed in note 1.
- 3) The Managing Director and Chief Finance Officer have each declared that:
 - a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with Australian Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
- 4) In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



D J Peters
Director



D K Shearwood
Director

Dated at Adelaide, South Australia this 15th day of August 2016



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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF LEIGH CREEK ENERGY LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Leigh Creek Energy Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature of "I S Kemp" in dark ink.

I S Kemp
Partner – Audit & Assurance

Adelaide, 15 August 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2016

	Note	Consolidated Group	
		2016 \$	2015 \$
Revenue	2a	39,213	2,319
Gain on disposal of shares		-	78,384
Depreciation	6	(35,664)	(35,547)
Employee benefits expense		(3,128,846)	(480,821)
Occupancy expense		(227,069)	(66,394)
Consulting and legal expenses		(192,088)	(160,014)
Travel expense		(355,958)	(119,223)
Other expenses	2b	(1,463,461)	(85,175)
Interest paid		(2,375)	(5,632)
Transaction costs	2c	-	(16,726,044)
Loss before income tax		(5,366,248)	(17,598,147)
Income tax benefit	3	-	-
Loss for the year after income tax		(5,366,248)	(17,598,147)
Total other comprehensive income		-	-
Total comprehensive (loss) for the year		(5,366,248)	(17,598,147)
Earnings per share			
Basic (cents per share)	20	(0.02)	(0.13)
Diluted (cents per share)	20	(0.02)	(0.13)

The accompanying notes form part of these financial statements



Consolidated Statement of Financial Position as at 30 June 2016

	Note	Consolidated Group	
		2016 \$	2015 \$
Current assets			
Cash and cash equivalents	4	8,659,369	1,484,627
Trade and other receivables	5	338,464	101,618
Other financial assets		16,031	18,680
Total current assets		9,013,864	1,604,925
Non-current assets			
Property, plant and equipment	6	112,940	78,570
Exploration and evaluation expenditure	7	2,450,480	710,667
Total non-current assets		2,563,420	789,237
Total assets		11,577,284	2,394,162
Current liabilities			
Trade and other payables	8	665,711	358,270
Short term loans	9	-	125,438
Employee entitlements	10	124,519	20,803
Total current liabilities		790,230	504,511
Net assets		10,787,054	1,889,651
Equity			
Issued capital	11	32,361,720	19,493,353
Reserves	12	1,395,284	-
Retained losses		(22,969,950)	(17,603,702)
Total equity		10,787,054	1,889,651

The accompanying notes form part of these financial statements





Statement of Changes in Equity for the financial year ended 30 June 2016

	Share Capital \$	Retained Losses \$	Share Option Reserve \$	Total \$
Consolidated				
Balance 1 July 2015	19,493,353	(17,603,702)	-	1,889,651
<i>Total comprehensive income</i>				
Total profit or (loss)	-	(5,366,248)	-	(5,366,248)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(5,366,248)	-	(5,366,248)
<i>Transactions with members in their capacity as owners:</i>				
Subscribed equity net of capital raising costs	9,442,046	-	-	9,442,046
Treasury shares sold	3,426,321	-	-	3,426,321
Options issued	-	-	1,395,284	1,395,284
Total transactions with owners	12,868,367	-	1,395,284	14,263,651
Balance 30 June 2016	32,361,720	(22,969,950)	1,395,284	10,787,054
Consolidated				
BALANCE 1 July 2014	3,841	(5,555)	-	(1,714)
<i>Total comprehensive income</i>				
Total profit or (loss)	-	(17,598,147)	-	(17,598,147)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(17,598,147)	-	(17,598,147)
<i>Transactions with members in their capacity as owners:</i>				
Subscribed equity net of capital raising costs	1,605,400	-	-	1,605,400
Leigh Creek Energy minority shareholders at fair value 29 June 2015	17,884,112	-	-	17,884,112
Total transactions with owners	19,489,512	-	-	19,489,512
Balance 30 June 2015	19,493,353	(17,603,702)	-	1,889,651

The accompanying notes form part of these financial statements

Statement of Cash Flows for the financial year ended 30 June 2016

	Note	Consolidated Group	
		2016 \$	2015 \$
Cash flows from operating activities			
Interest and sundry income received		14,760	2,319
Interest paid		(2,375)	-
Payments to suppliers and employees		(4,015,913)	(907,410)
Net cash (used in) / provided by operating activities	16(b)	(4,003,528)	(905,091)
Cash flows from investing activities			
Proceeds on disposal of shares		-	205,940
Purchase of shares		-	(685,002)
Purchase of property, plant & equipment		(53,745)	-
Proceeds from disposal of assets		2,250	-
Capitalised exploration costs		(1,755,702)	(710,667)
Net cash (used in) investing activities		(1,807,197)	(1,189,729)
Cash flow from financing activities			
Issue of shares		14,027,813	1,777,600
Share issue transaction costs		(916,907)	(172,200)
Advances/(Repayments) from related parties		(125,438)	125,438
Advances from subsidiary prior to completion		-	374,045
Net cash provided by financing activities		12,985,468	2,104,883
Accounting subsidiary cash acquired upon completion of reverse takeover		-	1,474,558
Net increase in cash held		7,174,742	1,484,621
Cash at the beginning of the year		1,484,627	6
Cash at the end of the year	16(a)	8,659,369	1,484,627

The accompanying notes form part of these financial statements



NOTES

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal activity of the Group was pursuing the development of its Leigh Creek Energy Project.

a) General information and statement of compliance

The consolidated general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, including Australian Accounting interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of Leigh Creek Energy Limited and its controlled entities comply with International Financial Reporting Standards (IFRS). Leigh Creek Energy is a for-profit entities for the purposes of preparing the financial statements. The financial report has been presented in Australian dollars.

The financial report covers Leigh Creek Energy Limited and its controlled entities as a consolidated entity ("Group"). Leigh Creek Energy Limited is a listed public company, incorporated and domiciled in Australia.

The consolidated financial statements for the year ended 30 June 2016 were approved and authorised for issue in accordance with a resolution of the Directors on 15 August 2016.

b) Overall considerations

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

c) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a report date of 30 June. The controlled entities are disclosed in Note 17(a) to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

d) Changes in accounting policy

Recently issued accounting standards to be applied in future accounting periods

The accounting standards that have not been early adopted for the year ended 30 June 2016, but will be applicable to the Group in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future reporting periods, however they have been considered insignificant to the Group.

i) AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

a. The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or

b. When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

ii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated

- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

iii) *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 Presentation of Financial Statements*

The Standard makes amendments arising from the IASB's Disclosure Initiative project. The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy

When this standard is first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

iv) *AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs*

This amendment inserts scope paragraphs into AASB 8 Operating Segments and AASB 133 Earnings per Share in place of application paragraph text in AASB 1057.

In July and August 2015, the AASB reissued AASB 8, AASB 133 and most of the Australian Accounting Standards that incorporate IFRSs to make editorial changes. The application paragraphs in the previous versions of AASB 8 and AASB 133 covered scope paragraphs that appear separately in the corresponding IFRS 8 and IAS 33. In moving those application paragraphs to AASB 1057 when AASB 8 and AASB 133 were reissued in August, the AASB inadvertently deleted the scope details from AASB 8 and AASB 133. This amending Standard puts the scope details into those Standards, and removes the related text from AASB 1057. There is no change to the requirements or the applicability of AASB 8 and AASB 133.

When this standard is first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

v) *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

This amendment alters AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

When this standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

vi) *AASB 9 Financial Instruments (December 2014)*

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on:
 - the objective of the entity's business model for managing the financial assets; and
 - the characteristics of the contractual cash flows.

NOTES

- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')
 - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

vii) *AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

Incorporates the consequential amendments arising from the issuance of AASB 9 (refer (i) above).

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

viii) *AASB 16 Leases*

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases

As this Standard will be first adopted for the year ending 30 June 2019, the impact has not yet been determined.

ix) *AASB 15 Revenue from Contracts with Customers*

- replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:
 - establishes a new revenue recognition model
 - changes the basis for deciding whether revenue is to be recognised over time or at a point in time
 - provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
 - expands and improves disclosures about revenue

As this Standard will be first adopted for the year ending 30 June 2019, the impact has not yet been determined.

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

e) Impairment of Assets

At each reporting date, the group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

f) Segment reporting

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and has concluded at this time that there are no separately identifiable.

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the Australian Tax Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from the Australian Tax Office is included with other receivables in the statement of financial position.

Cash flows are presented in the cash flow statement on a GST inclusive basis.

h) Comparative Figures

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

i) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving significant estimates and assumptions are listed below:

- Exploration and Evaluation Expenditure – Note 7
Judgement is required to ensure that the carrying value of Exploration and Evaluation assets does not exceed the recoverable amount. Factors considered in this judgement are:
 - a) *the period for which the entity has the right to explore in the specific area has expired or will expire in the near future;*
 - b) *substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;*
 - c) *exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities;*
 - d) *sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. Management has made a judgement that, given these factors, the balance of Exploration and Evaluation assets is not impaired.*
- Share based payments – Note 15
The valuation for accounting purposes of Share Based Payments relies on a number of factors that cannot be accurately measured. These include:
 - a) *the volatility of the LCK share value;*
 - b) *the probability that vesting conditions/milestones will be met;*
 - c) *the probability that the employee will remain employed with the company until the expiry date of the options;*
 - d) *the probability that the employee will exercise their options. Final judgement about vesting of the options is retained by the Board. Management has assessed each of these factors and made judgements on what factors are used for the calculation.*

NOTES

NOTE 2: REVENUE AND EXPENSES FROM OPERATIONS

*Accounting policy – revenue and expenses recognition**i) Interest revenue*

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable and is recognised at the time the right to receive payment is established.

ii) Other expenses

Other expenses represents costs incurred for the administration of the business. Costs relating to the project have been capitalised to Exploration and Evaluation expenditure (as shown in Note 7).

	Consolidated Group	
	2016 \$	2015 \$
a) Revenue		
Interest revenue	18,283	2,319
Sundry income	20,930	-
	39,213	2,319
b. Other expenses		
Other expenses includes:		
Accounting and audit	181,688	32,546
Computer costs	65,200	2,658
Insurance	62,418	4,453
Investment writedown	2,650	1,140
Printing & office supplies	29,828	16,241
Communications costs	304,966	8,652
Investor relations	554,460	-
Listing & registry fees	93,459	14,408
Sundry	168,792	5,077
	1,463,461	85,175
c) Transaction costs		
Details of the reverse acquisition transaction (completed in year ended 30 June 2015)		
Fair value of consideration transferred	-	18,441,558
Fair value of assets and liabilities assumed	-	(1,715,514)
Transaction costs in profit or loss	-	16,726,044

NOTE 3: INCOME TAX

Accounting policy – income taxes

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

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

NOTES

NOTE 3: INCOME TAX *continues**Tax consolidation*

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

	Consolidated Group	
	2016 \$	2015 \$
a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(5,366,248)	(17,598,147)
Deemed acquisition cost of subsidiary	-	16,726,044
Loss from continuing operations	(5,366,248)	(872,103)
Prima facie tax (benefit) on loss before income tax at 30% (2015: 30%)	(1,609,874)	(261,631)
Permanent differences:		
Entertainment non deductible	6,060	-
Share based payments	345,823	-
Movement in unrecognised tax assets and liabilities	(607,015)	12,225
Current year tax loss not recognisable	1,865,006	249,406
Aggregate income tax expense	-	-
Aggregate income tax expense comprises:		
Current taxation expense	(1,257,992)	(261,631)
Net deferred tax	1,257,992	261,631
	-	-
b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised		
Revenue losses	14,264,297	12,399,291
Capital losses	34,803	34,803

The Group considers that in the future it will be generating taxable income to utilise carried forward tax losses, however, it does not meet the recognition criteria. Additionally, the carried forward tax losses can only be utilised in the future when taxable income is being generated, if the continuity of ownership test is passed, or failing that, the same business test is passed.

NOTE 4: CASH AND CASH EQUIVALENTS

Accounting policy – cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

Cash at bank and on hand	8,659,369	1,433,083
Term deposit	-	51,544
Total Cash and cash equivalents	8,659,369	1,484,627

NOTES

NOTE 5: TRADE AND OTHER RECEIVABLES

Accounting policy – Trade and other receivables

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

	Consolidated Group	
	2016 \$	2015 \$
GST recoverable	70,870	47,618
Funds on deposit	110,000	50,000
Prepayments	87,494	-
Related company balance	11,667	-
R&D tax incentive receivable	43,871	-
Other debtors	14,562	4,000
Total Trade and other receivables	338,464	101,618

An amount of \$11,667 is receivable from Allied Resources Partners, in which Executive Chairman Mr Peters and Managing Director Mr Shearwood have an interest. This is not subject to any terms, conditions or fixed payment dates.

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

Accounting policy – property, plant and equipment

Each class of property, plant and equipment is carried at cost, where applicable, less any accumulated depreciation and impairment losses.

i) Plant and equipment

Plant and equipment are shown at historical cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

ii) Depreciation

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

- Plant and equipment 5-33%
- Office equipment 10-50%
- Motor vehicles 15%
- Leasehold improvement 45%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets (including impairment provision) and are recognised in the profit or loss with Other Income or Other Expenses.

NOTES

NOTE 6: PROPERTY, PLANT AND EQUIPMENT *continues*

	Consolidated Group	
	2016 \$	2015 \$
Cost		
Balance at 1 July 2015	541,943	816,488
Additions	53,745	-
Disposals	(79,993)	(274,545)
Balance at 30 June 2016	515,695	541,943
Accumulated depreciation & impairment		
Balance at 1 July 2015	337,585	521,189
Depreciation	35,664	35,547
Impairment loss	99,285	125,788
Disposals	(69,779)	(219,151)
Balance at 30 June 2016	402,755	463,373
Carrying amounts		
At 1 July 2015		78,570
At 30 June 2016	112,940	

NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE

Accounting policy – exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that right of tenure is current and those costs are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and operations in relation to the area are continuing.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Accumulated costs, in relation to an abandoned area, are written off in full against profit in the period in which the decision to abandon the area is made.

Balance at opening	710,667	-
Project development & exploration costs	1,739,813	710,667
Total exploration and evaluation expenditure	2,450,480	710,667

During the year the Company applied for R&D Tax Incentives through AusIndustry in relation to eligible research expenditure incurred during 2015 for the Leigh Creek Energy Project. The tax incentive is provided as a refundable tax credit and has been credited to Exploration and Evaluation capitalised expenditure.



NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE *continues*

The Company's interests in tenements at the date of this report are as follows:

Tenement	Location	Interest
PEL 650	Leigh Creek	100%
PELA 582	Finniss Springs	100%
PELA 643	Callabonna	100%
PELA 647	Leigh Creek	100%
PELA 644	Roxby Downs	100%
PELA 649	Oakdale	100%
EL 5596	Leigh Creek	100%
EL 5597	Leigh Creek	100%
GSEL 662	Leigh Creek	100%

NOTE 8: TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Consolidated Group	
	2016 \$	2015 \$
Trade payables	295,089	68,269
Other payables	246,641	174,001
Accruals	123,981	116,000
Total Trade and other payables	665,711	358,270

NOTE 9: SHORT TERM LOANS

All Short Term Loans were repaid during the financial year:

Related Company balance	-	16,004
Shareholder Loan	-	102,500
Directors loan	-	6,934
Total short term loans	-	125,438

The repayment of the loans was not subject to any terms, conditions or interest charges.

NOTE 10: EMPLOYEE BENEFITS

Accounting policy – Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. These benefits include wages, salaries and annual leave. Where these benefits are expected to be settled within 12 months of the reporting date, they are measured at the amounts expected to be paid when the liabilities are settled. The provision has been recognised at the undiscounted amount expected to be paid.

**NOTE 10: EMPLOYEE BENEFITS** *continues*

In relation to employee benefits arising for employees directly involved in the exploration project, these indirect costs have been capitalised to the project.

	Consolidated Group	
	2016 \$	2015 \$
Liability for annual leave	124,519	20,803
Total employee benefit liability	124,519	20,803

NOTE 11: ISSUED CAPITAL*Accounting policy – Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares is shown in equity as a deduction from the proceeds.

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

On 9 May 2016, the Company announced that a capital raising had been completed by a private placement of 35,374,969 new fully paid ordinary shares. The capital raising costs were \$1,159,446.

	Number	\$
Deemed to be outstanding at beginning of period	215,519,472	19,493,353
Treasury stock sold	15,000,000	3,426,321
Capital raising (net of costs)	35,374,969	9,442,046
Balance outstanding at the end of the period	265,894,441	32,361,720

a) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

All unissued shares are ordinary shares of the Company.

b) Treasury stock

On 29 June 2015, ARP TriEnergy Pty Ltd (formerly a shareholder of Leigh Creek Energy Ltd), acquired Leigh Creek Energy Limited by way of a reverse acquisition. Treasury stock represents the number of shares held by ARP TriEnergy prior to the reverse acquisition:

	Number	
Balance at 1 July 2015	15,000,000	Shares
Sold during the financial year	(15,000,000)	Shares
Balance at 30 June 2016	-	Shares



NOTE 11: ISSUED CAPITAL *continues***c) Unlisted Options**

A number of unlisted options were issued during the financial year. At the date of this report, unissued shares of the Group under option are:

<i>Expiry date</i>	<i>Exercise price</i>	<i>Number of shares</i>
14 October 2019	\$0.212	1,000,000
14 October 2020	\$0.25	1,000,000
31 July 2020	\$1.50	2,000,000
30 November 2020	\$0.30	10,250,000
31 October 2018	\$0.20	1,500,000
31 October 2018	\$0.22	1,500,000
31 October 2018	\$0.24	1,500,000
31 October 2018	\$0.26	1,500,000
		20,250,000

For options granted to employees, options will expire on the earlier of the expiry date or termination of the employee's employment (unless the employee is a retiring director). In addition, the ability to exercise the options is conditional on the Group achieving a number of operational and financial milestones.

Some options were issued in relation to services provided for the capital raising completed in May 2016. The expiry date is shown in the table above.

d) Listed Options

A number of listed options were issued as part of the prospectus for the capital raising finalised in May 2016. At the date of this report, unissued shares of the Group under option are:

<i>Expiry date</i>	<i>Exercise price</i>	<i>Number of shares</i>
6 June 2018	\$0.50	17,687,463

All options expire on the expiry date. There are no vesting conditions.

e) Capital Management

Management objectives when managing capital are to ensure that the Group can fund the development of its operations.

The Group manages the capital structure and makes adjustments to it in light of the forecast cash requirements of the development programme. To that end, internal capital rationing is complemented by capital raising activities as required to ensure funding for development activities is in place.

There are no externally imposed capital requirements.



NOTE 12: RESERVES

Accounting policy - Reserves

The share option reserve is used to recognise the fair value of options granted to employees and consultants but not exercised. Upon exercise of the options, the proceeds are allocated to share capital.

	Consolidated Group	
	2016 \$	2015 \$
Share option reserve	1,395,284	-
	1,395,284	-
A breakdown of the share option reserve is as follows ¹ :		
	No of Options	2016 \$
Directors ²	8,000,000	487,913
Employees	10,250,000	218,453
Consultants ³	8,300,000	688,918
	26,550,000	1,395,284

¹ See also Note 15 Share Based Payment Plans for factors considered in the fair value calculation.

² Expense relating to options granted for Directors also includes options for GD English and M Chatfield which AGM approval is required.

³ Options granted to Consultants relate to Investor Relations and Capital Raising consultancy services.

NOTE 13: COMMITMENTS FOR EXPENDITURE

a) Accounting policy - operating leases

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

	2016 \$	2015 \$
Operating lease commitment		
Not longer than 1 year	163,577	5,000
Longer than 1 year and not longer than 5 years	27,773	-

The operating lease commitments shown above also include the commitment to annual payments for tenement leases with the South Australian state government.

The Group has no contingent liabilities at the year end.

b) Accounting policy – capital commitments

Capital commitments relates to expenditure commitments for the Leigh Creek Energy Project (LCEP) outstanding at balance date.

Leigh Creek Energy Project	790,356	-
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Additionally, under the terms of tenement registration and renewal, some tenements have commitments to work requirements or minimum expenditure. The commitment to work requirements at Leigh Creek is included above. In relation to minimum expenditure requirements for two tenements, these are currently being negotiated and therefore, are not disclosed above.

There are no other commitments at balance date for expenditure by the Group.



NOTE 14: FINANCIAL INSTRUMENTS*Accounting policy – Financial instruments**Recognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

*Classification and subsequent measurement**i) Financial assets at fair value through profit and loss (FVTPL)*

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit or loss.

a) Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivables and payable which are summarised as follows:

	Floating interest at call Within 1 year		Non-interest bearing Within 1 year		> 1 year		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Financial Assets								
- Cash and cash equivalents	8,659	1,445	12	40	-	-	8,671	1,485
- Receivables	-	-	-	102	-	-	-	102
Financial assets at fair value through profit & loss	-	-	16	19	-	-	16	19
Total Financial Assets	8,659	1,445	28	161	-	-	8,687	1,606
Financial Liabilities								
Trade and other payables	-	-	542	242	-	-	542	242
Total Financial Liabilities	-	-	542	242	-	-	542	242



NOTE 14: FINANCIAL INSTRUMENTS *continues*

The group does not hold any derivative instruments.

i) Treasury Risk Management

The risk management of treasury functions is managed by the Board. No efficiencies or other benefits would be gained by having a separate finance committee.

ii) Finance Risks

The Group's financial instruments are exposed to a variety of financial risks, being Market risk (Interest rate and Price risk), Credit risk and Liquidity risk. The Group operates mainly in Australia and as such is not subject to foreign exchange risk.

Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and liabilities, is summarised in the table above. As the Group does not have any bank borrowings the interest rate risk is considered to be minimal.

Sensitivity: At June 30, 2016, if interest rates had changed by +/- 10 basis points from the year end rates with all other variables held constant post tax loss and total equity would have been \$754 more/less as a result of lower/higher interest income from term deposits.

Price risk

Price risk relates to the risk that the fair value of a financial instrument will fluctuate because of changes in market prices largely due to market forces. The Group's available-for-sale financial assets and fair value through profit and loss financial assets are subject to price risk. Investments within these two categories of financial assets are publicly traded on the ASX.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligation that could lead to a financial loss to the Group. The Group's maximum exposure to credit risk is its cash and cash equivalents and receivables as noted in the table above. The group manages its credit risk by depositing with reputable licenced banks.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate sources of funding are available.

Maturity of the group's financial liabilities is within 1 year.

NOTE 15: SHARE BASED PAYMENT PLANS

Accounting policy – share based payment plans

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

The fair value at issue date is calculated using the Trinomial option pricing model that takes into account the share price at issue date, the exercise price, the term until expiry, estimate of implied volatility, the vesting and performance criteria and the non-tradeable nature of the option. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable.



NOTE 15: SHARE BASED PAYMENT PLANS *continues*

a) Number of options issued to employees during the year

	Consolidated Group	
	2016 \$	2015 \$
Outstanding at beginning of the year	750,000	750,000
Forfeited	(750,000)	-
Issued	14,250,000	-
Exercised	-	-
	14,250,000	750,000

b) Valuation assumptions

	Plan 1	Plan 2	Plan 3
Grant date	15 October 2015	1 December 2015	1 December 2015
Number issued	2,000,000	2,000,000	10,250,000
Share price at grant date	\$0.17	\$0.23	\$0.23
Volatility (average) ⁵	70%	70%	70%
Fair value at issue date	\$0.08	\$0.02	\$0.04
Exercise price	\$0.212 ¹ , \$0.25 ²	\$1.50	\$0.30
Exercisable from	22 October 2015	31 July 2016 ³	31 July 2016 ³
Exercisable to	14 October 2020 ⁴	31 July 2020	30 November 2020

Notes:

¹ Exercise price for Tranche 1 was the greater of \$0.20 and 10% premium to the 5 day VWAP up to 26 May 2015.² Exercise price for Tranche 2 was the greater of \$0.25 and 20% premium to the 5 day VWAP up to 26 May 2015.³ Options vest at 25% per year on 31 July 2016, 31 July 2017, 31 July 2018 and 31 July 2019 if vesting conditions (milestones) are achieved.⁴ Tranche 1 expiry date is 14 October 2019, and Tranche 2 expiry date is 14 October 2020.⁵ A volatility curve was used for calculations.

NOTE 16: NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash on hand	8,659,369	10,069
Accounting subsidiary cash acquired upon completion under reverse takeover principles	-	1,474,558
Cash and cash equivalents	8,659,369	1,484,627

The weighted average effective interest rate on bank deposits is 1.13% (2015: 2.55%). All deposits are for less than 12 months.

NOTE 16: NOTES TO THE STATEMENT OF CASH FLOWS *continues***b) Reconciliation of Cash Flow from Operations with Loss after Tax)**Treasury Risk Management

	Consolidated Group	
	2016 \$	2015 \$
Loss after income tax	(5,366,248)	(17,598,147)
Cash flows excluded from loss attributable to operating activities:		
Non cash transaction costs for the acquisition of subsidiary company pursuant to reverse acquisition	-	16,726,044
Non-cash flows in operating loss		
Gain disposal shares	-	(78,384)
Depreciation expense	35,664	35,547
Share based payments	1,152,745	-
Change in assets and liabilities		
Decrease/(Increase) in receivables / prepayments	(236,846)	(68,280)
Increase/(Decrease) in payables	307,441	78,129
Increase/(Decrease) in provisions	103,716	-
Net Cash (used in) / provided by operating activities	(4,003,528)	(905,091)

NOTE 17: PARENT ENTITY DISCLOSURES

a) Investment in controlled entities

Entity	Country of incorporation	Class of share	Interest Held	
			2016	2015
Bonanza Gold Pty Ltd	Australia	Ordinary	100%	100%
ARP TriEnergy Pty Ltd	Australia	Ordinary	100%	100%

b) Parent entity information**Parent Entity****Asset**

Current assets

8,936,167

1,901,276

Non-current assets

1,868,783

78,570

Total assets

10,804,950

1,979,846

Liabilities

Current liabilities

790,230

264,332

Non-current liabilities

-

-

Total liabilities

790,230

264,332

Equity

Issued capital

56,000,502

44,033,982

Share option reserve

1,557,434

162,150

Retained earnings

(47,543,216)

(42,480,618)

Shareholder equity

10,014,720

1,715,514

Financial performance

Profit (loss) for the year

(5,366,248)

(2,000,519)

Other comprehensive income

-

403,451

Total comprehensive income

(5,366,248)

(1,597,068)

The parent entity has capital commitments of \$0.8m at balance date for further expenditure at the Leigh Creek project. Refer to Note 13 for further details of the commitment.

The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.





NOTE 18: RELATED PARTY TRANSACTIONS

a) Key management personnel compensation

	Consolidated Group	
	2016 \$	2015 \$
Total short term employee benefits	1,435,513	435,453
Total post-employment benefits	133,226	69,005
Share based payments	617,554	13,874
Total Remuneration	2,186,293	518,332

b) Other transactions with key management personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those to other parties, unless otherwise stated.

An amount of \$11,667 is receivable from Allied Resources Partners, in which Executive Chairman Mr Peters and Managing Director Mr Shearwood have an interest. This is not subject to any terms, conditions or fixed payment dates.

NOTE 19: AUDITOR'S REMUNERATION

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

Auditing & review services	42,830	30,000
Other services	-	-

NOTE 20: EARNINGS PER SHARE

Accounting policy – Earnings per share

- i) Basic earnings per share Basic earnings per share is calculated by dividing the profit (loss) attributable to equity holders excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.
- ii) Diluted earnings per share Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assuming conversion of all dilutive potential ordinary shares

Loss used to calculate basic EPS	(5,366,248)	(17,598,147)
Basic earnings per share – cents per share	(0.02)	(0.13)
Diluted earnings per share – cents per share	(0.02)	(0.13)
Weighted average number of shares used as denominator		
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	228,247,299	138,331,683
Shares deemed to be issued for no consideration in respect of share based payments	20,250,000	750,000
Listed options issued for no consideration	17,687,463	-
Weighted average number of shares used in diluted earnings per share	266,184,762	139,061,683

**NOTE 21: MATTERS SUBSEQUENT TO THE END OF THE YEAR**

Unlisted options were issued on 20 July 2016 relating to capital raising services provided in May 2016 in accordance with ASX announcement on 9 May 2016. The cost of these options were expensed in the financial year ending 30 June 2016.

NOTE 22: COMPANY DETAILS

The registered office and principal place of business is:

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEIGH CREEK ENERGY LIMITED

Report on the financial report

We have audited the accompanying financial report of Leigh Creek Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Leigh Creek Energy Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.





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Report on the remuneration report

We have audited the remuneration report included in pages 21 to 25 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Leigh Creek Energy Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 15 August 2016

At the date of this report all the issued securities of the Company comprised ordinary shares, 104,767,190 of which are escrowed for 2 years from July 3, 2015, otherwise not subject to any restrictions.

SUBSTANTIAL SHAREHOLDERS AT 8 AUGUST 2016

Name	Fully Paid Shares	Ordinary Shares %	Options	Options %
Allied Resource Partners Pty Ltd	104,767,190	39.40	-	-
CITIC Australia Pty Ltd	17,242,855	6.48	-	-

DISTRIBUTION OF SHAREHOLDINGS AT 8 AUGUST 2016

The issued capital of the Company is fully paid ordinary shares (entitling the holders to participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held) and listed options. On a show of hands every holder of the shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share counts as one vote. Holders of listed options do not have any entitlements to vote or receive dividends.

Range	Total Holders Shares	Number of Shares	Total Holders Listed Options	Number Of Listed Options
1 – 1,000	458	241,645	0	0
1,001 – 5,000	658	1,732,014	1	3,333
5,001 – 10,000	320	2,545,998	11	93,331
10,001 – 100,000	688	26,941,722	96	4,116,640
100,001 and over	230	234,433,062	23	13,474,159
TOTAL	2,354	265,894,441	131	17,687,463

At 8 August 2016 a marketable parcel constituted 2,778 shares. The number of shareholders holding less than a marketable parcel was 870 (995,392 shares).

TWENTY LARGEST SHAREHOLDERS AT 8 AUGUST 2016

Name	Fully Paid Ordinary Shares	% of Issued Capital
Allied Resource Partners Pty Ltd	104,767,190	39.40
Citic Australia Pty Ltd	17,242,855	6.48
Mr Richard McGrath	10,557,449	3.97
RBC Investor Services Australia Nominees Pty Ltd (BKCust A/C)	6,700,000	2.52
One Design & Skiff Sails Pty Ltd (I W Brown Super Fund A/C)	5,167,137	1.94
HSBC Custody Nominees (Australia) Limited	4,621,594	1.74
UBS Nominees Pty Ltd	4,499,773	1.69
JP Morgan Nominees Australia Limited	4,104,348	1.54
Mr Nicholas James Redpath	2,528,999	0.95
Mr John Brown + Ms Elisabeth Frederico (Joli S/F A/C)	2,020,001	0.76
FMS Pty Ltd (SM Appleyard S/F A/C)	1,711,379	0.64
National Nominees Limited (DB A/C)	1,666,930	0.63
Bart Properties Pty Ltd (Scott Flynn Family A/C)	1,666,666	0.63
James St Equities Pty Ltd	1,577,458	0.59
Telemark International Pty Ltd	1,424,454	0.54
Lawry Super Nominees Pty Ltd (Lawry Family Super Fund A/C)	1,413,647	0.53
Citicorp Nominees Pty Ltd	1,342,404	0.50
Mr George Hioureas	1,070,000	0.40
Ms Nichola Marguerite Clutterbuck	1,029,666	0.39
LP Rayner Nominees Pty Ltd	1,020,000	0.38
Totals Top 20	176,131,950	66.22
Total Remaining Holders Balance	89,762,491	33.78



TWENTY LARGEST LISTED OPTION HOLDERS AT 8 AUGUST 2016

<i>Name</i>	<i>Listed Options</i>	<i>% of Options</i>
RBC Investor Services Australia Nominees Pty Ltd (BKCust A/C)	3,350,000	18.94
UBS Nominees Pty Ltd	1,915,000	10.83
JP Morgan Nominees Australia Limited	1,666,666	9.42
Bart Properties Pty Ltd (Scott Flynn Family A/C)	833,333	4.71
BNP Paribas Nominees Pty Ltd (Global Prime Omni DRP)	833,333	4.71
National Nominees Limited (DB A/C)	833,333	4.71
Point One Capital Pty Ltd	530,000	3.00
BNP Paribas Nominees Pty Ltd (DRP)	367,500	2.08
Citicorp Nominees Pty Ltd	333,333	1.88
HSBC Custody Nominees (Australia) Limited – A/C 3	333,333	1.88
Merrill Lynch (Australia) Nominees Pty Limited	333,333	1.88
Equipment Company of Australia Pty Limited	291,666	1.65
Mr Richard Crawford Grooms	250,000	1.41
Mr Jan-Per Hole	221,666	1.25
ARK Equities Pty Limited	200,000	1.13
Mr Christopher Bayliss + Mrs Lynda Bayliss (Bayliss Super Fund A/C)	166,666	0.94
Jennifer Arnold Pty Limited (The Arnold Super Fund A/C)	166,666	0.94
Linor Pty Ltd (PE Giblin P/L SBF A/C)	166,666	0.94
Purflem Super Pty Ltd (Flemming Promotions S/F A/C)	166,666	0.94
David John Iron (Iron Filings Retirement A/C)	150,000	0.85
Totals Top 20	13,109,160	74.09
Total Remaining Holders Balance	4,578,303	25.91

UNISSUED EQUITY SECURITIES

	<i>Number</i>
Unlisted options	20,250,000
Listed options	17,687,463

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange.

Directors

Daniel Justyn Peters
Executive Chairman

David Shearwood
Managing Director

Greg English
Non-Executive Director

Murray Chatfield
Non-Executive Director

Company Secretary
Jordan Mehrrens

Registered & Principal Business Office

Level 11, 19 Grenfell Street
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Share Registry

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Pty Ltd
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Auditors

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Principal Lawyers

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