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Innovation Australia grants R&D “Advance Finding” for Leigh Creek Energy Project

Australian Government determines the Leigh Creek Energy Project eligible for Research and Development tax offset

- **Advance Finding Certificate awarded**
- **Enables a refundable tax offset to be claimed as a cash rebate on eligible expenditure incurred on the Pre Commercial Demonstration stage of the project**
- **Total estimated eligible expenditure of \$21m**

South Australian Energy Company, Leigh Creek Energy Limited (ASX: LCK) (“Leigh Creek Energy” or “the Company”), is pleased to announce that Innovation Australia (“the Agency”), awarded the company a “Certificate for Advance Finding” for the Leigh Creek Energy Project (“the Project”).

The Advance Finding provides certainty over current and forecast Research and Development claims for up to three years commencing FY 2015/16, for total anticipated expenditure of approximately \$21m to be incurred on the Pre Commercial Demonstration stage of the Project.

Eligible expenditure currently entitles LCK to claim a refundable tax offset, or cash rebate, at the rate of 43.5% of costs incurred. The refund is claimable by the Company following lodgement of its annual income tax return. Approximately \$1.8m of such expenditure was incurred in FY 2015/16 with the Company anticipating a cash rebate of \$0.8m in the current quarter. A significant component of expenditure on the Project in the current financial year will also be eligible for a cash rebate.

The Advance Finding is comprehensive and applies to activities included in the scope of the Pre Commercial Demonstration stage, including:

- Appraisal and environmental monitoring well drilling;
- Hydrogeological and geotechnical engineering and associated modelling studies;
- Technical, management, operational, financial and administrative support; and
- Installation, operation and decommissioning of underground and above ground plant and facilities.



The Company is currently in discussions with financial intermediaries to assess the benefit of an R&D tax offset financing facility that would enable this rebate to be accessed earlier and assist in funding its working capital requirements during 2017 should this be necessary.

Commenting on the announcement Mr Phil Staveley (Chief Executive Officer) said: "The positive finding is important to the Company as this decision enhances the Company's strong financial position and the outcome of this rigorous process displays that the Company has the level of technical and financial expertise required to develop a project of this nature. We are pleased that the Project has been acknowledged by the Federal Government in this manner which provides added recognition of LCK."

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About Leigh Creek Energy

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

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