



Monday, 30 October 2017
Manager Companies
Companies Announcements Office
Australian Securities Exchange Limited

Quarterly report for the three months to 30 September 2017

Highlights

- **Pre-Commercial Demonstration (PCD) funded**
- **Positive progress made on approvals**
- **Fabrication of Pre-Commercial Demonstration facility continues**

Leigh Creek Energy Limited (LCK) is pleased to provide an update on the development of the Leigh Creek Energy Project (LCEP) in South Australia for the three months to 30 September 2017.

Pre Commercial Demonstration funded

Completion of Capital Raising

LCK has made several announcements since March 2017 regarding its substantial capital raising (\$21.85 million before fees at an average share price of \$0.146 per ordinary share). Cornerstone investor, China New Energy Group Limited (CNE) settled the first two funding tranches in advance in March and May 2017.

LCK held a General Meeting on 21 July 2017 to ratify the issue of shares under Tranches 1 and 2 of the placement, with both resolutions passed.

To progress the development of the LCEP, CNE and LCK agreed to split the previously announced Tranche 3 into two payments defined as Tranches 3 and 4.

Tranche 3 was for the issue of 17 million shares at 15 cents per share for a total of \$2.55 million (before transaction costs) and was settled as scheduled on 15 August 2017, taking CNE's interest in LCK to 19.98%. Tranche 4 was for 66,544,905 ordinary shares at 15 cents per share (\$9.98 million before transaction costs) taking CNE's interest in LCK to 32.78%.

A General Meeting (GM) was held on 13 October 2017 to approve the Tranche 4 placement to CNE. The Resolution was approved unanimously on a show of hands at the Meeting. The funds from the approved share placement have been received and the shares have been issued.

The settlement of Tranche 4 provides LCK with funding for the production of Syngas at the LCEP – a major de-risking event for LCK.

Research and Development Working Capital Facility

The Company announced on 18 November 2016 that it had been awarded a "Certificate for Advance Finding" from the Commonwealth Government's Innovation Australia, enabling the Company to claim refundable tax offsets for the fiscal years ending 30 June 2016, 2017, and 2018 for total anticipated expenditure of approximately \$21 million to be incurred for the PCD.

On 7 February 2017, the Company announced it had secured a 12-month Research and Development Working Capital Facility (Facility) with the Commonwealth Bank of Australia (CBA). This provided LCK with the flexibility to bring forward its tax offsets by providing a draw down on eligible expenditure and for CBA to be repaid from the Company's taxation return rebate.

During the quarter, LCK and the CBA agreed to extend the Facility to April 2019 and increase the Facility limit from \$2 million to \$6.5 million. Completion of the agreement was subject to the satisfaction of several conditions precedent which have now been satisfied.

Now funded for production of Syngas

With the receipt of funds from the completion of Tranche 4 (cash balance of \$16.5m on 27 October 2017) and access to the increased CBA R&D working capital debt facility, LCK remains on schedule to be funded for the production of Syngas.

Independent Experts' Report

In conjunction with the Notice of Meeting (NOM) for the GM, and in order to fully inform shareholders, LCK commissioned an Independent Expert's Report (IER), which was distributed to LCK shareholders with the NOM.

The IER concluded that the issue of Tranche 4 shares to CNE was not fair, but reasonable.

In making its fairness assessment, the IER authors - Grant Thornton Corporate Finance - concluded that the LCK shares were trading at a discount to underlying value due to a range of factors including financial distress, investor speculation, news flow and political events.

The IER concluded that the placement was reasonable on the grounds that, essentially, there was no superior alternative offer for capital funding available to LCK, and that this placement and subsequent funds flow is expected to provide the necessary funding to complete the approvals process and operation of the PCD at Leigh Creek, representing a major milestone and de-risking event for LCK.

Pre-Commercial Demonstration Stage update

Status of Approvals

LCK has completed its draft Environmental Impact Report (EIR) and accompanying draft Statement of Environmental Objectives (SEO) documents. These are the key documents that are required to be submitted for assessment as part of the approval process for PCD operations. The draft EIR and draft SEO are with the state government Regulator to assess the adequacy of the documents against the requirements of the *Petroleum and Geothermal Energy Act 2000* for compliance with the requirements of the Act.

An early response from the Regulator has been the requirement to undertake additional drilling to augment the geological data in the EIR. LCK is working with the Regulator to develop a plan that will obtain this targeted geological information.

LCK continues to work with the Regulator to achieve a best practice outcome that meets the needs of all stakeholders – community, government and LCK shareholders. It is critical for the interests of all stakeholders that the PCD is successful. LCK is working with the Regulator to ensure that all project risks are identified and mitigated appropriately. The requirement for additional geological information has

unfortunately necessitated an adjustment to the time line for PCD operations. LCK is targeting a PCD operational phase of first quarter 2018 (previously late December 2017).

The draft EIR and draft SEO have been posted to the LCK corporate website and can be found at: <http://www.lcke.com.au/Corporate-Responsibility/Environment>

Construction Contracts

All key components for the PCD have been ordered or contracted, per below:

1. Gasco Pty Ltd - Thermal Oxidiser and Cold Vent.
2. ABB Australia Pty Ltd - Gas Analyser and Gas Instruments
3. Ottoway Engineering - bespoke gas handling equipment to transport syngas from the underground gasifier to the Thermal Oxidiser
4. ATSys - electrical, controls and high end communication and data transfer systems.

Subject to a successful outcome in gaining the necessary approvals, the completion of these major contracts is scheduled for late 2017, with commissioning (including testing and operator training) planned thereafter. PCD operations are now planned for early 2018.

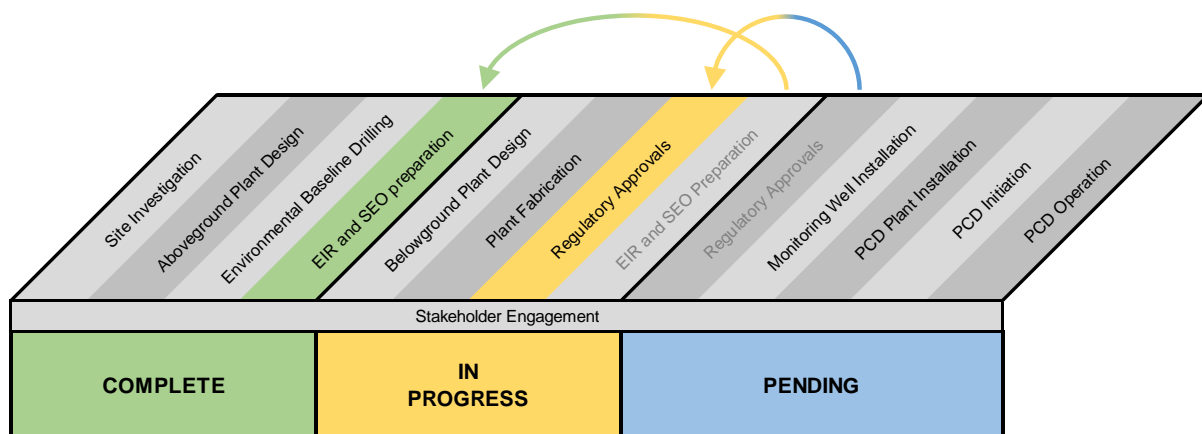
The PCD will use commercial-scale equipment and be operated at commercial rates of production. For this reason, the transition from pre-commercial to commercial operations will only require replication.

PCD Progress Summary

Construction and operation of the PCD will serve many purposes. Not only will it physically display the production of syngas from LCK’s gasification technology, it will also provide the South Australian Government and the stakeholder community with the environmental data required for commercial scale approvals, and it will deliver the economic parameters for final design planning for the commercial plant.

The construction and operation of the PCD facility will be a major de-risking event for LCK and a significant step forward in its plans to commercialise its Leigh Creek Energy Project (LCEP) in South Australia. The Company believes that successful operation of the PCD will demonstrate final proof of concept and lead to a significant increase in the value of the LCEP.

The driving focus of the LCK Operations team is towards flaring of demonstration gas. Current and expected progress is represented in the following graphic:



LCK is an emerging Energy Company

LCK has a certified PRMS 2C Syngas Resource of 2963.9 PJ of syngas (refer ASX announcement January 8, 2016). The syngas produced from the In Situ Gasification (ISG) process can be utilised for various purposes including power generation, pipeline quality Natural Gas, and fertiliser production. With ongoing studies determining the most appropriate pathway to commercialisation, LCK is ideally situated to take advantage of the current and future anticipated market volatility and opportunities this creates.

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

It is widely acknowledged in the media, by government regulators, analysts, and the private sector and its representative organisations, that the markets for both gas and electricity are currently severely supply constrained.

Tenements

As of 30 September 2017, LCK had a 100% interest in the licences listed below, all in South Australia, through LCK's wholly owned subsidiary Leigh Creek Operations Pty Ltd.

- Petroleum Exploration Licence 650;
- Gas Storage Exploration Licence 662.

Leigh Creek Operations Pty Ltd also has the following licence applications in progress:

- Petroleum Exploration Licence Application 582;
- Petroleum Exploration Licence Application 643;
- Petroleum Exploration Licence Application 644;
- Petroleum Exploration Licence Application 647;
- Petroleum Exploration Licence Application 649;
- Minerals Exploration Licence Application 2017/00197.

CEO Commentary

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

"Significant progress has been made in this quarter, most notably in completion of the capital raising with CNE and continued progress in the development of the PCD phase of the LCEP. Shareholders have voted overwhelmingly in support of management's focus to complete the PCD operations in a timely manner.

Whilst the LCK team is disappointed that we will be unable to produce first gas in 2017, this minor delay is due to the acquisition of further information that will reduce project risk and likely provide a better outcome in both the long and short term. Notwithstanding this delay, the LCK team remains committed to producing gas from the PCD at the earliest opportunity and meeting our revised schedule. Our focus remains on achieving this major de-risking event."

Leigh Creek Energy – bringing reliable energy to South Australia.

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About Leigh Creek Energy

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

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

Leigh Creek Energy acknowledges and respects the Adnyamathanha people, the Traditional Owners of the land on which its operations occur and pay our respects to their Elders past and present.

Resource Compliance Statement

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

Forward Looking Statements

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

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

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

LEIGH CREEK ENERGY LIMITED

ABN

31 107 531 822

Quarter ended ("current quarter")

September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(3,088)	(3,088)
(b) development		
(c) production		
(d) staff costs	(751)	(751)
(e) administration and corporate costs	(705)	(705)
1.3 Dividends received (see note 3)		
1.4 Interest received	24	24
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid		
1.7 Research and development refunds	2,173	2,173
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,347)	(2,347)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(44)	(44)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(44)	(44)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,550	2,550
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(163)	(163)
3.5 Proceeds from borrowings	340	340
3.6 Repayment of borrowings	(1,950)	(1,950)
3.7 Transaction costs related to loans and borrowings	(60)	(60)
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	717	717

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	8,747	8,747
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,347)	(2,347)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(44)	(44)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	717	717
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	7,073	7,073

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	182	297
5.2 Call deposits	291	2,450
5.3 Bank overdrafts		
5.4 Other (Term deposits)	6,600	6,000
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,073	8,747

6. Payments to directors of the entity and their associates

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

Current quarter \$A'000
121
-

7. Payments to related entities of the entity and their associates

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

Current quarter \$A'000
76
0

Piper Alderman lawyers were paid for legal services rendered to the Group. Non-Executive Director Greg English is a partner at Piper Alderman lawyers.

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	6,500	-
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	6,947
9.2 Development	
9.3 Production	
9.4 Staff costs	659
9.5 Administration and corporate costs	675
9.6 Other (Interest Expense)	62
9.7 Total estimated cash outflows	8,343

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

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 30 October 2017
Company secretary

Print name: Jordan Mehrtens

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.