



29 April 2016

Manager Companies
Companies Announcements Office
Australian Stock Exchange Limited

Quarterly report for the three months to March 31, 2016

Highlights

- **Achievement of a 2C ISG Gas Resource of 2,963.9 PJ at the Leigh Creek Energy Project independently assessed and certified by MHA Petroleum Consultants LLC (USA) in accordance with the Society of Petroleum Engineers – Petroleum Resources Management System** (refer to ASX release dated 8 January 2016).
- **Treasury Share Sale Complete** (refer to ASX release dated 16 February 2016).

Subsequent to quarter end the following has occurred;

- **Heads of Agreement signed with Shanghai Electric Power Generation Group** (refer to ASX release dated 6 April 2016).
- **Gas Storage Exploration License (GSEL) obtained** (refer ASX release dated 14 April 2016).
- **Placement to raise A\$10.77m complete** (refer ASX release dated 28 April 2016).

Leigh Creek Energy Project (LCEP)

Leigh Creek Energy (LCK) is developing the LCEP using in situ gasification (ISG) methods. This will initially deliver pipeline methane into the supply constrained gas market and generate reliable electricity supply for South Australian mining industrial users.

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 provided by MHA Petroleum Consultants LLC (MHA) and reported in accordance with the Society of Petroleum Engineers – Petroleum Resources Management System (PRMS).

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Seismic survey

LCK, in Feb 2016 acquired 18.3 line kilometres of new 2D seismic data at the LCEP. This survey provided valuable data enabling LCK to select a specific site for the ISG pre commercial facility planned for Q4 2016.

Engineering

The Basis of Design and aboveground and underground work scopes for the ISG pre commercial facility have been completed and put out to tender for detailed engineering design to begin. LCK is actively working with suppliers and fabricators in the upper Spencer Gulf region to construct and commission the pre commercial facility.

Approval for Pre Commercial Facility

LCK has begun the approvals process for the pre commercial facility, including the preparation of an Environmental Impact Report and associated Statement of Environmental Objectives. The approvals process will involve some drilling of wells on the site which will be used for baseline monitoring. These wells are planned to be drilled during the current quarter.

Path Forward – Pre Commercial Facility

The engineering and approvals work for the ISG pre commercial facility is underway. We anticipate operation of the facility towards the end of 2016. Successful operation of the pre commercial facility will result in the data and knowledge needed to finalise the commercial phase facility designs. The pre commercial facility will use commercial scale equipment and for this reason the transition from pre commercial to commercial will only require replication.

CO₂ Sequestration

Initial work on carbon capture, and consumption of CO₂ into various products has commenced in our efforts to reduce the carbon footprint of the LCEP. The primary focus remains investigating carbon sequestration within cavities underground.

Gas Storage Exploration Licence

LCK has obtained a Gas Storage Exploration License (GSEL 662) which will allow the LCEP to investigate the storage of product gas (methane) but also CO₂.

As of 31 March 2016, LCK had a 100% interest in the licences listed below, all in South Australia, through LCK's wholly owned subsidiary ARP TriEnergy Pty Ltd.

- Petroleum Exploration Licence 650
- Gas Storage Exploration Licence 662
- Petroleum Exploration Licence Application 582
- Petroleum Exploration Licence Application 643
- Petroleum Exploration Licence Application 644
- Petroleum Exploration Licence Application 647
- Petroleum Exploration Licence Application 649
- Exploration Licence 5596
- Exploration Licence 5597

Corporate

Heads of Agreement signed with Shanghai Electric Power Generation Group

LCK announced the signing of a Heads of Agreement (**HoA**) with Shanghai Electric Power Generation Group (**SEC**) to discuss the formation of a joint venture (**JV**) company to build, own and operate a gas fired power station in South Australia.

With the pending closure of the coal fired power stations located at Port Augusta, South Australia is more susceptible to power interruption caused by the variable dispatch of wind energy, related electricity grid destabilization and dependence on the electricity interconnect into Victoria on high electricity demand days when wind is not dispatching.

LCK understands that existing manufacturing and mining operations in South Australia are also facing increased power costs with future contracts for power supply being offered at more than double the price of the last few years. The combination of increasing power costs and increasing frequency of power interruption is problematic and costly for manufacturing and mining.

Power generated by the JV Company would come from syngas, not pipeline methane gas. Syngas is lower cost for the LCEP to produce because it does not involve the same level of gas processing and because it is likely we would use air and not oxygen as the principle oxygen supply medium.

Finance

At the end of the quarter, LCK's cash balance was \$778K. A summary of the cash flows for the quarter are attached in the Appendix 5B.

LCK had 6.2 million Treasury shares at the start of the quarter which have since been sold.

Placement to raise A\$10.77m complete – post end of quarter

The Company announced that it had successfully completed a A\$10.77m capital raising (before costs) by way of a private placement of 35,894,999 new fully paid ordinary shares in the Company (**Shares**) to sophisticated, professional and other investors at an issue price of A\$0.30 per Share (**Placement**). State One Equities Pty Ltd acted as Sole Lead Manager to the Placement and was supported by the Company's US advisor, New York based EAS Advisors LLC, acting through Merriman Capital, Inc.

The Company will also undertake an offer of options, which offer will be open only to the persons to whom the Shares offered under the Placement are issued and allotted. The offer will be a subscription for one option for every two Shares issued and allotted to it pursuant to the Placement at an exercise price of A\$0.50 per Share, with an expiry date two years from the date of issue of the option. The grant of the options will be subject to the Company applying for the options to be admitted to official quotation on ASX. Further details on the placement and options can be found in the ASX release dated 28 April 2016.

The placement was another important step forward for the Company. To be able to raise this amount of money in what can safely be described as a "difficult" market was a great endorsement for LCK.

Pleasingly the capital raise was supported by many of our existing sophisticated investors and also new institutional (fund) investors located in Australia and also North America.

Commenting on the quarterly progress, Executive Chairman Justyn Peters said:

“We are very pleased with the progress we have made this quarter with SEC and to have developed our relationship with SEC to the point where we have now agreed through a HoA to discuss the formation of a Joint Venture Company to generate reliable gas fired base load power in South Australia.

We see this as a great first step in our development as an energy company. The building, owning and operating of a power station ensures the success of our project, but also has the ability to provide cheaper, reliable power to industry and mines in South Australia.

The LCEP is also planned to produce methane for sale to external customers via a new pipeline.

In addition, the successful placement enables the Company to progress with baseline studies and work towards the ISG pre commercial facility at Leigh Creek.

Our efforts in South Australia have the potential to positively impact our wide community and importantly will help support existing businesses and potentially new businesses to our State by providing reliable and affordable power.”

For further information contact:

Media

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Gas Resource Statement

Gas Resources reported in this announcement were initially reported and released to the ASX on 8 January 2016. Leigh Creek Energy Limited is not aware of any new information or data that materially affects the information included in the 8 January 2016 announcement and that all the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. All Estimates are based on the deterministic method for estimation of petroleum resources.

About Leigh Creek Energy

Leigh Creek Energy Limited (LCK) is an emerging gas company focused on developing its Leigh Creek Energy Project (LCEP), located in South Australia. The LCEP will produce high value products such as methane, electricity and potentially fertiliser from the remnant coal resources at Leigh Creek utilising In Situ Gasification 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 to as low as can be reasonably achieved.

Leigh Creek Energy – bringing reliable energy to South Australia.

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, 01/05/2013

Name of entity

Leigh Creek Energy Limited

ABN

31 107 531 822

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(416)	(958)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	4
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
	(1813)	(4123)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1813)	(4123)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1720	3427
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	1720	3427
Net increase (decrease) in cash held			
		(93)	(696)
1.20	Cash at beginning of quarter/year to date		
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	778	778

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	171
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 includes salaries and directors fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	-
3.2 Credit standby arrangements	Nil	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	4273
4.2 Development	-
4.3 Production	-
4.4 Administration	1048
Total	5321

(*note: the Company has just completed a A\$10.77m capital raise)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	691	802
5.2 Deposits at call	87	69
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	778	871

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	LCK's wholly owned subsidiary ARP TriEnergy Pty Ltd acquired 100% of Gas Storage Exploration Licence 662.	0%	100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	N/A			
7.2				
7.3	230,519,472	230,519,472 (Of which 104,767,190 Escrowed for 2 years from 03.07.2015 and 35,544,493 Escrowed for 1 year from 29.06.2015)		

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Mining exploration entity and oil and gas exploration entity quarterly report

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities (description)	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	1,000,000		Exercise price 0.212	Expiry date 19.10.2019
7.8	Issued during quarter	1,000,000		Exercise price 0.25	Expiry date 19.10.2020
		2,000,000		Exercise price 1.50	Expiry date 31.07.2020
		10,250,000		Exercise price 0.30	Expiry date 30.11.2020
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

2 This statement does give a true and fair view of the matters disclosed.



Sign here: Company secretary Date: 29 April 2016

Print name: Jordan Mehrstens

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

- 4 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.

- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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