



22 August 2016

Manager Companies  
Companies Announcements Office  
Australian Securities Exchange

## LEIGH CREEK ENERGY LIMITED ASX ANNOUNCEMENT

### ASX Code: LCK: 2016 Annual General Meeting

The Company's 2016 Annual General Meeting will be held on Friday 23 September 2016.

Please find attached the following documents which have been despatched to the Company's shareholders today:

- Notice of Annual General Meeting; and
- Proxy Form

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J Mehrtens', is positioned above the typed name.

Jordan Mehrtens  
Company Secretary

### **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, methane 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 to as low as can be reasonably achieved.*



## Leigh Creek Energy Limited

ABN 31 107 531 822

### Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Leigh Creek Energy Limited will be held at Grant Thornton Australia Limited 1/67 Greenhill Road, Wayville South Australia 5034 on Friday 23<sup>rd</sup> September 2016 at 9.30 am (Adelaide time).

#### Business:

##### Accounts

To consider the financial report and the reports of the Directors and of the Auditors for the financial year ended 30 June 2016.

##### Resolution 1 – Re-election of Mr Murray K Chatfield as Director

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

“That, Mr Murray K Chatfield, having retired in accordance with clause 44.3(a) of the Company’s Constitution and Listing Rule 14.4 and having offered himself for re-election, is hereby re-elected as a Director of the Company with immediate effect.”

Information regarding the candidate for re-election can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

##### Resolution 2 – Approval of Additional 10% Placement Capacity

To consider, and if thought fit, pass the following resolution as a special resolution:

“That, for the purposes of the Listing Rule 7.1A and all other purposes, Shareholders authorise the Company to have the additional capacity to issue Equity Securities comprising up to 10% of the issued capital of the Company under Listing Rule 7.1A calculated in accordance with the formula

prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.”

##### Voting Exclusion Statement – Resolution 2

The Company will disregard any votes cast on Resolution 2 by a person who may participate in a proposed issue of Shares under the 10% Placement Capacity, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 2 is passed, and any of their respective associates. However the Company need not disregard a vote if:

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

##### Resolution 3 – Adoption of the Remuneration Report for the year ended 30 June 2016

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

“That for the purposes of Section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report for the period ended 30 June 2016 as set out in the Directors’ Report section of the 2016 Annual Report.”

The vote on the resolution to adopt the Remuneration Report is advisory only and does not bind the Directors of the Company.

### **Voting Exclusion Statement – Resolution 3**

In accordance with section 250R(4) of the Corporations Act, a vote on Resolution 3 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) A member of Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (b) A Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 3 if the vote is not cast on behalf of a person described above and either:

- (c) The person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- (d) The Chair of the Meeting is appointed as proxy and the proxy form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

### **Resolution 4 – Grant of Options to Murray K Chatfield**

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

“That for the purpose of ASX Listing Rule 10.11 and for all other purposes, the grant by the Company to Non-Executive Director Mr Murray K Chatfield or his permitted nominee, of a total of 2,000,000 unlisted Options on the terms and conditions set out in Annexure A, is approved.”

Information regarding Resolution 4 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

### **Voting Exclusion Statement**

Under the Listing Rules, a vote on Resolution 4 must not be cast (in any capacity) and will be

disregarded if cast by or on behalf of Mr Murray K Chatfield (or his nominee) or any of his Associates.

Under section 250BD of the Corporations Act, a vote on Resolution 4 must not be cast (in any capacity) and will be disregarded if cast by or on behalf of any of the following persons:

- a. Member of Key Management Personnel, details whose remuneration are included in the Remuneration Report; or
- b. A Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 4 if the vote is not cast on behalf of a person described above and either:

- a. The person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- b. The Chair of the Meeting is appointed as proxy and the proxy form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

### **Resolution 5 – Grant of Options to Gregory D English**

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

“That for the purpose of ASX Listing Rule 10.11 and for all other purposes, the grant by the Company to Non-Executive Director Mr Gregory D English or his permitted nominee, of a total of 2,000,000 unlisted Options on the terms and conditions set out in Annexure A, is approved.”

Information regarding Resolution 5 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

### **Voting Exclusion Statement**

Under the Listing Rules, a vote on Resolution 5 must not be cast (in any capacity) and will be disregarded if cast by or on behalf of Mr Gregory D English (or his nominee) or any of his Associates.

Under section 250BD of the Corporations Act, a vote on Resolution 5 must not be cast (in any capacity) and will be disregarded if cast by or on behalf of any of the following persons:

- a. Member of Key Management Personnel, details whose remuneration are included in the Remuneration Report; or
- b. A Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 5 if the vote is not cast on behalf of a person described above and either:

- a. The person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- b. The Chair of the Meeting is appointed as proxy and the proxy form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

#### **Resolution 6 – Approval of Employee Share Option Plan**

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

“That, for the purpose of ASX Listing Rule 7.2 Exception 9 and for all other purposes, any issue of securities made within the three year period ending 23 September 2019 under the terms and conditions of the Company’s employee incentive scheme known as ‘Leigh Creek Energy Ltd Share Option Plan’ as set out in Annexure B to the Explanatory Memorandum accompanying this Notice of Meeting (and as amended from time to time) is approved as an exception to ASX Listing Rule 7.1.”

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 6 by the Directors and any of their associates.

Under section 250BD of the Corporations Act, a vote on Resolution 6 must not be cast (in any

capacity) and will be disregarded if cast by or on behalf of any of the following persons:

- a. Member of Key Management Personnel, details whose remuneration are included in the Remuneration Report; or
- b. A Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 6 if the vote is not cast on behalf of a person described above and either:

- a. The person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- b. The Chair of the Meeting is appointed as proxy and the proxy form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

#### **Resolution 7 – Proportional Takeover**

To consider and, if thought fit, pass the following resolution as a special resolution:

“That, for the purposes of Sections 136(2) and 648G of the Corporations Act and for all other purposes, the constitution of the Company be amended by inserting the proportional takeover provisions contained in Annexure C of the Explanatory Statement into the Constitution as clause 85, with effect from the date of the meeting for a period of three years’.

#### **Resolution 8 – Ratification of issue of Placement Shares**

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

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the placement of 35,374,969 Shares by the Company on 9 May 2016 at an issue price of 30 cents is approved.”

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 8 by a person who participated in the placement or any of their respective associates.

However the Company need not disregard a vote if:

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

#### **Resolution 9 – Ratification of issue of Listed Options**

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

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue of 17,687,463 Listed Options by the Company on 7 June 2016, on the terms and conditions set out in the Explanatory Memorandum accompanying the notice of meeting is approved.”

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 9 by a person who participated in the issue or any of their respective associates.

However the Company need not disregard a vote if:

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

#### **Resolution 10 – Ratification of issue of Unlisted Options**

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

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue of 2,300,000 Unlisted Options by the Company on 20 July 2016,

on the terms and conditions set out in the Explanatory Memorandum accompanying the notice of meeting is approved.”

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 10 by a person who participated in the issue (being State One Stockbroking Ltd, Boldbow Pty Ltd and Peter Stephen Curtis) or any of their respective associates.

However the Company need not disregard a vote if:

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

#### **Resolution 11 – Issue of a maximum of 60 million Shares**

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

“That, for the purposes of Listing Rule 7.1 and for all other purposes, the issue of up to 60,000,000 Shares by the Company on the terms and conditions set out in the Explanatory Memorandum accompanying the notice of meeting is approved.”

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 11 by a person who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if Resolution 11 is passed, and any of their respective associates (to the extent that those persons are known and identified by the Company at the time of the Annual General Meeting).

However the Company need not disregard a vote if:

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

## Information for Members

### Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of General Meeting is incorporated in and comprises part of this Notice of General Meeting and should be read in conjunction with this Notice.

Members are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used both in this Notice of General Meeting and the Explanatory Memorandum.

### "Snap-shot" Time

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that for the purposes of voting at the Meeting, Shares will be taken to be held by those who hold them as at 7.00 pm (Adelaide time) on Wednesday 21 September 2016.

### Proxies

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

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

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

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

no later than 48 hours before the time for the holding of the Meeting.

### Corporate Representative

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

### By order of the Board



### J E Mehrtens

Company Secretary  
Leigh Creek Energy Limited  
22 August 2016

## Explanatory Memorandum

### Introduction

This Memorandum has been prepared for the information of Shareholders of Leigh Creek Energy Limited (LCK) in connection with the business to be conducted at the Annual General Meeting of the Company to be held at **Grant Thornton Australia Limited 1/67 Greenhill Road, Wayville South Australia 5034 on Friday 23<sup>rd</sup> September 2016 at 9.30 am (Adelaide time)**.

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

### Resolution 1 – Re-election of Mr Murray K Chatfield as Director

On 30 June 2016 the Board appointed Mr Murray K Chatfield as a Director pursuant to clause 44.3 of the Company's constitution. That provision gives the Directors the power to appoint any person to fill a casual vacancy or as an addition to the Board.

A Director appointed under sub-clause 44.3 is required to retire at the first annual general meeting following his or her appointment, and is not taken into account in determining the number of Directors who must retire by rotation at the annual general meeting.

The Company provides the following information in relation to Mr Chatfield:

Mr Chatfield was appointed a non-executive director of Leigh Creek Energy on 30 June 2016.

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. His experience within high growth organisations and knowledge of Financial Project Risk Minimisation will provide invaluable experience as LCK moves onto the commercialisation of its ISG Leigh Creek Energy Project.

Murray's broad experience across complex aspects of the finance industry, and in particular his knowledge of derivative instruments will complement and broaden the skills of the board. LCK already has a need to model and analyse potential contracts covering such items as oil linked gas contracts. LCK intends to use appropriate instruments to help reduce and mitigate risk. Mr Chatfield's experience will complement the skills of the board.

The Directors (other than Mr Chatfield) recommend that Shareholders vote in favour of Resolution 1. The Chairman intends to vote all undirected proxies in favour of Resolution 1.

### Resolution 2 - Approval of Additional 10% Placement Capacity

ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting (**10% Placement Capacity**). The 10% Placement Capacity is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1. An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company's market capitalisation as at 8 August 2016 was \$47,860,999 (265,894,441 issued Shares at \$0.18 closing price per Share). Further, the Company is not included in the S&P/ASX 300 Index, and is therefore an eligible entity for the purposes of ASX Listing Rule 7.1A.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Capacity. The exact number of Equity Securities to be issued under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2. It is the Company's intention that funds received under the 10% Placement Capacity will be used to generally fund project development and working capital requirements.

#### Description of Listing Rule 7.1A

a) *Shareholder approval*

The ability to issue Equity Securities under the 10% Placement Capacity is subject to Shareholder approval by way of a special resolution at an Annual General Meeting.

b) *Equity Securities*

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of this Notice, has on issue three classes of Equity Securities being listed Shares, listed Options and unlisted Options.

c) *Formula for calculating 10% Placement Capacity*

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an Annual General Meeting may issue or agree to issue, during the 12 month period after the date of the Annual General Meeting, a number of Equity Securities calculated in accordance with the following formula:

#### **(A x D) – E**

**A** is the number Shares on issue 12 months before the date of issue or the date of agreement to issue:

- (1) Plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- (2) Plus the number of partly paid Shares that became fully paid in the 12 months;
- (3) Plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid Shares under the entity's 15% placement capacity without Shareholder approval;
- (4) Less the number of fully paid Shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

### Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company had on issue 265,894,441 Shares and therefore (assuming Resolution 2 is approved by Shareholders) currently has the capacity to issue:

- 1) 39,884,166 Equity Securities under Listing Rule 7.1; and
- 2) Subject to Shareholder approval being sought under Resolution 2, 26,589,444 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

### Minimum Issue Price

The issue price of Equity Securities under Listing Rule 7.1A must not be less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- 1) The date on which the price at which the Equity Securities are to be issued is agreed; or
- 2) If the Equity Securities are not issued within 5 Trading Days of the date in paragraph (1) above, the date on which the Equity Securities are issued.

The Company may also issue Equity Securities under the 10% Placement Capacity as consideration for the acquisition of a new asset, resource or investment, in which case the Company will release to the market a valuation of those Equity Securities that demonstrates that the issue price of the securities complies with the rule above.

### 10% Placement Period

Shareholder approval of the 10% Placement Capacity under Listing Rule 7.1A is valid from the date of the Annual General Meeting at which the approval is obtained and expires on the earlier to occur of:

- 1) The date that is 12 months after the Annual General Meeting at which the approval is obtained; or
- 2) The date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

Or such longer period if allowed by ASX (**10% Placement Period**).

## Listing Rule 7.1A

The effect of Resolution 2 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's placement capacity under Listing Rule 7.1.

Resolution 2 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

### (1) *Specific information required by Listing Rule 7.3A*

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Capacity as follows:

- 1) the Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
  - (a) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (b) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (a) above, the date on which the Equity Securities are issued.

### (2) *Effect of issue on other Shareholders*

If Resolution 2 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Capacity, existing Shareholders may be subject to both economic and voting power dilution. There is a risk that:

- 1) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting;
- 2) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date; and
- 3) the Equity Securities are issued as part of consideration for the acquisition of a new asset, in which case, no funds will be raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice. The table also shows:

- 1) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- 2) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.09 50% decrease in issue price	\$0.18 Issue price	\$0.36 100% increase in issue price
Current Variable A 265,894,441 Shares	10% voting dilution	Shares 26,589,444	Shares 26,589,444	Shares 26,589,444
	Funds raised	\$2,393,049.96	\$4,786,099.92	\$9,572,199.84
50% increase in current Variable A 398,841,661 Shares	10% voting dilution	Shares 39,884,166	Shares 39,884,166	Shares 39,884,166
	Funds raised	\$3,589,574.94	\$7,179,149.88	\$14,358,299.76
100% increase in current Variable A 531,788,882 Shares	10% voting dilution	Shares 53,178,888	Shares 53,178,888	Shares 53,178,888
	Funds raised	\$4,786,099.92	\$9,572,199.84	\$19,144,399.68

The table has been prepared on the following assumptions:

- i. the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity;
- ii. no unlisted Options are exercised into Shares before the date of the issue of the Equity Securities;
- iii. the 10% voting dilution reflects the aggregate percentage dilution against the issued Share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
- iv. the table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting;
- v. the table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1. Dilution experienced by Shareholders may be greater if issues have been made utilising the capacity in Listing Rule 7.1 as well;

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- vi. the issue of Equity Securities under the 10% Placement Capacity consists only of Shares;
- vii. the issue price is \$0.18, being the closing price of the Shares on ASX on 8 August 2016.

- 3) the Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 2 for the issue of Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- 4) the Company may seek to issue the Equity Securities for the following purposes:
  - i. non-cash consideration for the acquisition of new resources, assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
  - ii. cash consideration. In such circumstances, the Company intends to use the funds raised to fund investigations into or acquire interests in energy resources or related technologies, or to satisfy the price of a strategic alliance for the Company, and/or generally to fund working capital requirements.

The Company will comply with the disclosure obligations under Listing Rules 7.1A (4) and 3.10.5A upon issue of any Equity Securities.

- 5) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
  - i. the methods of raising funds that are available to the Company, includes but is not limited to, a rights issue or other issue in which existing security holders can participate;
  - ii. the effect of the issue of the Equity Securities on the control of the Company;
  - iii. the financial situation and solvency of the company; and
  - iv. advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Capacity have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company acquires new assets, it is likely that the allottees under the 10% Placement Capacity will be the vendors of the new assets.

If Resolution 2 is approved by Shareholders, the Company may issue Equity Securities under the 10% Placement Capacity during the 10% Placement Period as and when the circumstances of the Company require.

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- 6) the Company previously obtained Shareholder approval under Listing Rule 7.1A at its 2015 Annual General Meeting and issued Equity Securities pursuant to Listing Rule 7.1A. Annexure D sets out the detailed information required under Listing Rule 7.3A.6 regarding Equity Securities issued in the 12 month period prior to 23 September 2016.
- 7) a voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holders to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

The Board considers that the approval of the issue of the 10% Placement Capacity described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under Listing Rule 7.1A in the next 12 months (without further Shareholder approval), should it be required. At the date of the Notice of Meeting, the Company has no plans to use the 10% Placement Capacity should it be approved. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 2. The Chairman intends to vote all undirected proxies in favour of Resolution 2.

### **Resolution 3 - Adoption of the Remuneration Report for the year ended 30 June 2016**

The Annual Report for the period ended 30 June 2016 either accompanies this Notice or is available on the Company's website: [www.lcke.com.au](http://www.lcke.com.au).

The Remuneration Report is contained in the Directors' Report in the 2016 Annual Report. The Report describes the underlying policies and structure of the remuneration arrangements of the Company and sets out the remuneration arrangements in place for Directors and senior executives.

Section 250R (2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 3 is advisory only and, subject to the matters outlined below, will not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy.

A vote on Resolution 3 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (i) A member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (ii) A Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 3 if the vote is not cast on behalf of a person described above and either:

- (i) The person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- (ii) The chair of the meeting is appointed as proxy and the proxy form expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

**Please Note:** In accordance with sections 250R(4) and 250R(5) of the Corporations Act, the Chair will not vote any undirected proxies in relation to Resolution 3 unless the shareholder specifically authorises the Chair to vote in accordance with the Chair's stated voting intentions. Please note that if the Chair of the meeting is your proxy (or becomes your proxy by default), by completing the proxy form you expressly authorise the chair to exercise your proxy on Resolution 3 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the Chair. If you appoint the Chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 3 by marking the appropriate box on the proxy form.

Alternatively, shareholders can nominate as their proxy for the purpose of Resolution 3 a proxy who is not a member of the Company's Key Management Personnel or a Closely Related Party. That person would be permitted to vote undirected proxies.

The Chair intends to vote all available proxies in favour of Resolution 3.

If, at two consecutive annual general meetings of a listed company, at least 25% of votes cast on a resolution that the remuneration report be adopted are against adoption of the report, at the second of these annual general meetings there must be put to the vote a resolution that another meeting be held within 90 days at which all directors (except the managing director) who were directors at the date the remuneration report was approved at the second annual general meeting must stand for re-election. So, in summary, shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the Remuneration Report received 'two strikes'.

The Company confirms that at the Company's 2015 Annual General Meeting more than 75% of votes were cast for the adoption of the remuneration report, and as such, the "two strikes" process will not apply at the Company's upcoming Annual General Meeting.

#### **Resolutions 4 and 5 - Grant of Options to Murray K Chatfield and Gregory D English**

Resolution 4 and Resolution 5 seek Shareholder approval for the purposes of ASX Listing Rule 10.11 for the grant of Options to Non-Executive Directors Mr Murray K Chatfield and Mr Gregory D English respectively (or their permitted nominees) on the terms and conditions set out below and in Appendix A. These unlisted options are not proposed to be offered under a plan.

The offer of Director Options to the Related Parties form part of the Company's long term incentive objectives to encourage Directors to have a greater alignment with the goals and interests of current and future shareholders.

The Options, if approved for grant, will form part of Mr Chatfield's and Mr English's respective remuneration packages. The Options will be in addition to the directors' fees payable to Mr Chatfield and Mr English.

The Board notes that the grant of the Options to each of Mr Chatfield and Mr English is contrary to the guidelines on non-executive director remuneration in Box 8.2 of Recommendation 8.3 of the ASX's Corporate Governance Principles and Recommendations. The Board considers the grant of the Options to each of Mr Chatfield and Mr English to be reasonable and appropriate in the circumstances for the following reasons:

- the grant of Options to Non-Executive Directors is necessary to attract the highest calibre of professionals to the Company and retain them, whilst maintaining the Company's cash reserves;

- the Company is at a critical stage in its development and both Mr Chatfield and Mr English have specific experience that will be invaluable as LCK moves onto the commercialisation of its ISG Leigh Creek Energy Project, so the Company considers the additional remuneration is warranted in the circumstances;
- if the future Share price of the Company's Shares does not reach the premium exercise price set for the Options and the Options are not exercised then there will be no cash flow or dilutive impact on Shareholders;
- if the Company's Share price does reach the premium exercise price set for the Options and the Options are exercised, then Shareholders will receive a significant cash flow benefit in excess of the accounting cost of the benefit provided, and while there will be a dilutive impact on all Shareholders if the Options are exercised, then resultant growth in the Company's market capitalisation will significantly compensate Shareholders for any dilution;

If Resolutions 4 and 5 are approved, each Director in office at the date of the Annual General Meeting will have the following interests in the Company's securities:

Director	Shares	Existing Options	New Options
Murray K Chatfield	1,308,914	25,000 Listed Options (expiry June 2018)	2,000,000
Gregory D English	Nil	Nil	2,000,000

#### Key Details of the Options

The full terms and conditions of the Options are set out in Annexure A. The key terms of the Options and information required under ASX Listing Rule 10.13 are as follows:

Item	Details
<b>Maximum number of Options to be issued to each of Mr Chatfield and Mr English (or their permitted nominees)</b>	4,000,000 (Mr Chatfield and Mr English will receive 2,000,000 each)
<b>Issue date</b>	Each Option will be issued as soon as reasonably practicable following Shareholder approval and in any case, not more than 1 month after the approval of Shareholders is obtained.
<b>Exercise Price of each Option</b>	Mr Chatfield \$0.45 Mr English \$0.35  (subject to possible adjustment in accordance with the terms and conditions of the Options set in Annexure A).
<b>Underlying Securities</b>	Each Option is an Option to subscribe for 1 fully paid ordinary Share (subject to possible adjustment in accordance with the terms and conditions of the Options set in Annexure A).
<b>Consideration</b>	Each Option will be granted for no consideration.
<b>Terms of issue</b>	The full terms and conditions of the Options are set out in Annexure A.

<b>Intended use of the funds raised</b>	If any Options are exercised, the funds received on exercise will be used for general working capital purposes.
<b>First Exercise Date</b>	Date of Issue
<b>Last Exercise Date</b>	5 years from the date of issue

The voting exclusion statements for each of Resolution 4 and 5 are set out in the Notice of Meeting.

#### **ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities (or rights to securities) to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies. It is the view of the Directors that the exceptions in Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought under Listing Rule 10.11 for the grant of Director Options to the Related Parties.

#### **ASX Listing Rule 7.1**

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Options to the Directors if approval is obtained under Listing Rule 10.11. Accordingly, the issue of Options to the Directors will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

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

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

Each of the Directors is a related party of the Company under section 228(2) of the Corporations Act by virtue of being a Director. The grant of the Options to each of Mr Chatfield and Mr English would constitute the giving of a financial benefit to them. However, it is the view of the Board that the proposed grant of the Options falls under one of the exceptions in the Corporations Act.

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

For the reasons outlined above, the Board has formed the view that the financial benefit proposed to be given to each of Mr Chatfield and Mr English by way of the grant of Options amounts to reasonable remuneration given to them in their capacity as an officer of the Company. As a result, the Board is of the view that the exception in section 211(1) of the Corporations Act applies to the proposed grant of the Options and therefore the approval of Shareholders under section 208 of the Corporations Act is not required for the giving of the benefit.

#### **Recommendation of Directors**

Mr Chatfield has a material personal interest in the outcome of Resolution 4 and declines to make any recommendation in relation to the Resolution.

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Mr English has a material person interest in the outcome of Resolution 5 and declines to make any recommendation in relation to the Resolution.

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

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

#### **Resolution 6 – Approval of Employee Share Option Plan**

The Company currently has in place the Leigh Creek Energy Ltd Employee Share Option Plan (ESOP) under which Employees may be offered the opportunity to receive Options in the Company in order to assist in the attraction, retention and motivation of Employees.

The ESOP is designed to provide incentives to Employees and to recognise their contribution to the Company's success. Under the Company's current circumstances the directors of the Company consider that Options are a cost effective and efficient means of incentivising Employees. To enable the Company to secure Employees who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The ESOP is designed to achieve this objective, by encouraging continued improvement in performance over time.

Under the ESOP, the Board may offer to eligible persons the opportunity to receive such number of Employee Options in the Company as the Board may decide on the terms and conditions set out in Annexure B. Options granted under the ESOP will be offered to eligible persons on the basis of the Board's view of the contribution of the eligible person to the Company.

ASX Listing Rule 7.1 restricts the number of equity securities a listed entity can issue without Shareholder approval. ASX Listing Rule 7.2 contains a number of exceptions to ASX Listing Rule 7.1. In particular, Exception 9(a) provides, in the case of an employee incentive scheme established before an entity is listed, that ASX Listing Rule 7.1 does not apply to an issue under the scheme if within 3 years before the date of issue a summary of the terms of the scheme was set out in a prospectus or approved by shareholders in accordance with Exception 9 of Listing Rule 7.2. The ESOP was last approved by shareholders as an Exception to Listing Rule 7.2 at the 2013 annual general meeting. The only change to the Plan since it was last approved is that prior to the exercise of the Options, the Options may not be transferred at any time to any person.

Exception 9(b) of ASX Listing Rule 7.2 provides that ASX Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within 3 years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1. The Company seeks Shareholder approval of the purposes of that exception, such that the Company can issue securities under the ESOP within the three year period ending 23 September 2019 without the need for further Shareholder approval under Listing Rule 7.1.

In accordance with the requirements of ASX Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) a copy of the current terms and conditions of the ESOP is annexed as Annexure B to this Explanatory Memorandum;

- (b) the following Options have been issued under the ESOP since it was approved by Shareholders at the 2013 annual general meeting:

Number	Class
1,000,000	Unlisted options expiring 19 October 2019.
1,000,000	Unlisted options expiring 19 October 2020.
2,000,000	Unlisted options expiring 31 July 2020.
10,445,000	Unlisted options expiring 30 November 2020.
6,000,000	Unlisted options expiring 31 October 2018.
800,000	Unlisted options expiring 8 May 2021.
1,500,000	Unlisted options expiring 10 May 2019
<b>22,745,000</b>	<b>Total unlisted options</b>

- (c) a voting exclusion statement has been included for the purposes of Resolution 6.

Resolution 6 is to be considered as an ordinary resolution.

As the directors of the Company are excluded from voting on this resolution (other than as proxy for any Shareholder who has directed its proxy how to vote) they do not wish to make a recommendation as to how Shareholders ought to vote in respect of this resolution. The Chairman intends to vote any undirected proxies in favour of Resolution 6.

#### **Resolution 7 – Insertion of proportional takeover provisions in the Constitution**

The Corporations Act permits a company's constitution to include a provision that enables it to refuse to register Shares acquired under a proportional takeover bid, unless shareholders approve the bid. The Company's constitution does not contain proportional takeover provisions. The proportional takeover provisions proposed to be inserted into the Company's constitution at clause 85 are attached to this Explanatory Memorandum as Annexure C. Section 648G(5) of the Corporations Act requires that the following information be provided to Shareholders when they are considering the inclusion or renewal of proportional takeover provisions in a constitution.

- a) Proportional takeover bid

A proportional takeover bid is an off-market offer made to each Shareholder for a proportion of that Shareholder's Shares (i.e. less than 100 per cent). This can result in control being transferred to the bidder without shareholders having the chance to sell all their shares. It also means a bidder can obtain control of a company without paying appropriate consideration for gaining such control.

- b) Effect of the proposed proportional takeover provisions

If a proportional takeover bid is made, the Directors must ensure that a general meeting to approve the bid is held more than 14 days before the last day of the bid period, at which Shareholders will consider a resolution to approve the takeover bid. Each Shareholder will have one vote for each fully paid Share held, with the vote to be decided on a simple majority. The bidder and its associates are not allowed to vote on the resolution. The resolution will be passed if more than 50% of votes are cast in favour of the approval.

If the resolution is not passed at that meeting, then no transfer will be registered and the offer will be taken to have been withdrawn. Acceptances will be returned and any contracts formed by acceptances will be rescinded.

If the resolution is not voted on by the deadline, then the bid will be taken to have been approved for the purposes of the proportional takeover provisions. If the bid is approved (or taken to have been approved), all valid transfers must be registered by the Company.

The proposed proportional takeover approval provisions do not apply to full takeover bids and, if resolution 7 is passed, will only apply for three years after the date of passing that resolution, unless renewed under section 648G(4) of the Corporations Act.

c) Reasons

The Directors believe that Shareholders should be entitled to vote on whether a proportional takeover ought to proceed, given that such a bid might otherwise allow control of the Company to change without Shareholders being given the opportunity to sell all of their shares to the bidder. As such, the Shareholders may be exposed to the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium for their Shares.

The right of Shareholders to vote on a proportional takeover lessens this risk because it allows the Shareholders to decide whether a proportional takeover bid is acceptable and should be permitted to proceed. If it does proceed, individual shareholders can make a separate decision as to whether they wish to accept the offer for their shares.

d) Potential advantages and disadvantages

The Directors consider that the proportional takeover approval provisions have no potential advantages or disadvantages for the Directors because they remain free to make a recommendation on whether a proportional takeover bid should be approved.

The potential advantages of the proposed proportional takeover provisions for Shareholders of the Company are:

- Shareholders will be given the right to decide by majority vote whether to accept a proportional takeover bid;
- The provisions may help Shareholders avoid being locked in as a minority and may prevent a bidder acquiring control of the Company without paying an adequate control premium (i.e. paying for all of their Shares);
- The provisions may increase Shareholders' bargaining power and may help ensure that any bid is adequately priced; and
- Knowing the view of the majority of Shareholders may help each individual Shareholder to decide whether to accept or reject the proportional offer.

Some potential disadvantages of the proportional takeover provisions in clause 85 for Shareholders include:

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- They may discourage proportional takeover bids being made for Shares in the Company;
- Shareholders may lose an opportunity to sell some of their Shares at a premium; and
- The likelihood of a proportional takeover succeeding may be reduced.

e) Increase of substantial interest

As at the date of this Notice, no Director is aware of any proposal to acquire or to increase the extent of a substantial interest in the Company.

The Directors consider that the potential advantages for shareholders outweigh the potential disadvantages and recommend that Shareholders vote in favour of Resolution 7 for the insertion of the proportional takeover provision in the Company's constitution. The Chairman intends to vote all undirected proxies in favour of Resolution 7.

**Resolutions 8, 9 and 10 – Ratification of previous issues of securities**

Resolutions 8, 9 and 10 seek approval of Shareholders to the previous issue of securities within the last 12 months.

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

Listing Rule 7.1A enables certain eligible entities to seek shareholder approval to issue equity securities up to 10% of its issued share capital over a 12 month period after the annual general meeting at which a resolution regarding Listing Rule 7.1A is passed by special resolution. At the Company's last AGM on 19 November 2015, the Company obtained approval from Shareholders to issue equity securities under Listing Rule 7.1A.

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

On 28 April 2016, the Company announced a private placement. On 9 May 2016, the Company issued 35,374,969 Shares, at a subscription price of 30 cents each to raise a total of \$10,612,491 before costs (**Placement**). Of these, 12,323,022 Shares were issued within the 15% limit in Listing Rule 7.1 and 23,051,947 Shares were issued within the 10% limit in Listing Rule 7.1A.

The Company then issued 17,687,463 Listed Options under a prospectus to participants in the Placement, on the basis of 1 Listed Option for every 2 Shares subscribed under the Placement. This issue came within the 15% limit in Listing Rule 7.1.

State One Equities Pty Ltd, the Lead Manager and broker for the Placement, was entitled to a fee of 5% of the Placement raised by it and 2,300,000 Unlisted Options, which were issued on 20 July 2016. This issue came within the 15% limit in Listing Rule 7.1.

Resolutions 8, 9 and 10 seek Shareholder approval of the Placement Shares, Listed Options and Unlisted Options pursuant to Listing Rule 7.4.

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

	<b>Resolution 8 Placement of shares</b>	<b>Resolution 9 Issue of Listed Options</b>	<b>Resolution 10 Issue of Unlisted Options</b>
<b>No. of securities</b>	35,374,969 Shares	17,687,463 Listed Options	2,300,000 Unlisted Options
<b>Issue price</b>	30 cents	Nil	Nil
<b>Terms of issue</b>	Fully paid ordinary shares, ranking equally with all other ordinary shares on issue.	Options exercisable for 1 Share each Exercise price - \$0.50 Expiry – 6 June 2018 Quoted on ASX  See Annexure E for full terms of the Listed Options	<u>800,000 Options</u> Exercisable for 1 Share each Exercise price - \$0.30 Vesting Date – 8 May 2017 Expiry Date – 8 May 2021  <u>1,500,000 Options</u> Exercisable for 1 Share each Exercise price - \$0.30 Expiry Date – 10 May 2019  See Annexure E for full terms of the Unlisted Options
<b>Allottees</b>	Places identified by the Company and broker	Participants in the Placement	State One Equities Pty Ltd, broker and Lead Manager for the Placement
<b>Use of funds raised</b>	Investment in the Leigh Creek Energy Project, including initial gas flaring development activities, and working capital	n/a	n/a

The terms of the listed and unlisted options are provided in Annexure E.

The voting exclusion statement for each of Resolutions 8, 9 and 10 is set out in the Notice of Meeting.

The Directors unanimously recommend that shareholders vote in favour of Resolutions 8, 9 and 10 as it allows the Company to retain flexibility to issue further securities as and when the Company's circumstances require it during the next 12 month period.

The Chairman intends to vote available undirected proxies in favour of Resolutions 8, 9 and 10.

#### **Resolution 11 – Issue of a maximum of 60 million Shares**

Resolution 11 seeks Shareholder approval for the issue of up to 60 million Shares for the purposes of Listing Rule 7.1.

The Directors are of the view that the Company will require further funding over the next 12 month period in order to progress its projects and provide working capital to the Company.

If Resolution 11 is approved by Shareholders, the Directors will have the flexibility and discretion to issue up to 60 million Shares within a 3 month period from the date of the Annual General Meeting, subject to a minimum price, without being restricted by the 15% limit imposed by Listing Rule 7.1 and without having to suffer delay or additional expense involved in convening another general meeting to obtain any Shareholder approval that would otherwise be required under Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 7.3:

1. A maximum of 60,000,000 Shares will be issued.
2. The Shares will be issued within 3 months of the date of this Annual General Meeting. Any Shares issued more than 3 months after the date of the Annual General Meeting will not be issued with Shareholder approval, and will count towards the Company's 15% placement capacity pursuant to Listing Rule 7.1 or 10% placement capacity pursuant to Listing Rule 7.1A (unless the Company seeks further Shareholder approval to such an issue).
3. The issue price for the Shares will be not less than 80% of the volume-weighted average Share price for the Company's Shares on the ASX, calculated over the last 5 days on which sales in the Company's Shares are recorded before the date on which the issue is made.
4. The names of the persons to whom the Company will issue the Shares are not known at this time. The Shares will be issued to persons or entities identified by the Company and to which a disclosure document is not required to be provided by virtue of Part 6D.2 of the Corporations Act 2001. No related parties (within the meaning of the Corporations Act) will be issued Shares.
5. The Shares will be issued on the same terms as, and rank equally with, the existing issued Shares and application will be made for their quotation on ASX.
6. The purpose of the proposed issue is to provide funding to progress the Company's projects and to provide additional working capital.
7. The Company will issue the Shares the subject of this resolution progressively throughout the 3 month period, based on when placements are secured.
8. A voting exclusion statement is included in the Notice of Meeting.

The Directors unanimously recommend that shareholders vote in favour of Resolution 11 as it allows the Company to retain flexibility to issue further securities as and when the Company's circumstances require it during the next 12 month period.

The Chairman intends to vote available undirected proxies in favour of Resolution 11.

## GLOSSARY

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

**"10% Placement Capacity"** is defined in the notes about Resolution 2 in the Explanatory Memorandum.

**"Annual Report"** means the annual report of the Company for the year ended 30 June 2016.

**"Auditors"** means the Company's duly appointed auditors.

**"ASIC"** means the Australian Securities and Investments Commission.

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

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

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

**"Closely Related Party"** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member or be influenced by the member, in the member's dealings with the Company; or
- (e) a company the member controls.

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

**"Constitution"** means the constitution of the Company from time to time.

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

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

**"Directors' Report"** means the report entitled "Directors' Report" in the Annual Report of the Company.

**"Equity Securities"** in relation to the securities of the Company means a Share, an option over an issued or unissued security, any right to a Share or option over an issued or unissued security, or a convertible security.

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

**"Key Management Personnel"** means those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any Director (whether executive or otherwise).

**"Listed Option"** means an Option quoted on the ASX, with an exercise price of \$0.50 and expiring on 6 June 2018.

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

**"Managing Director"** means the managing director of the Company and Mr David Kit Shearwood is the current managing director.

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

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

**"Option"** means an option exercisable for a Share.

**"Remuneration Report"** means the remuneration report contained in the Directors' Report section of the Annual Report.

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

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

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

**"Trading Day"** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**"Unlisted Option"** means an Option that is not quoted on ASX

**"VWAP"** means Volume Weighted Average Price of the Company's ASX-listed Shares trading under the code LCK.

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## Annexure A

### OPTIONS TERMS AND CONDITIONS

The TERMS AND CONDITIONS appearing below are an abridged form of the terms and conditions that apply to the Options the subject of Resolutions 4 and 5 to be issued under Listing Rule 10.11.

1. The Option holder is entitled on payment of the applicable exercise price for the relevant Option to be allotted one ordinary fully paid share for each Option exercised. The exercise price for the Options are \$0.35 (for Mr English) and \$0.45 (for Mr Chatfield).
2. Options held by the Option holder are exercisable from the First Exercise Date (the date of issue) up to and including the Last Exercise Date (5 years from the date of issue) for the relevant class of Options as set out below (the Exercise Period). Reminder notices will be forwarded to the Option holder prior to the Last Exercise Date for each Option.
3. Each Option that is not exercised on or before the Last Exercise Date for that Option will lapse. Unexercised Options will also lapse if the Option holder ceases to be a Director of the Company during the relevant Exercise Period for those Options unless the Option holder ceases to be a Director by reason of permanent disability, death or retirement, in which case the Option holder will have 1 month or such longer period as the Board may determine to exercise any remaining unexercised Options. Any longer period granted by the Board to exercise an Option must not exceed the relevant Last Exercise Date for that Option.
4. An Option is exercisable by notice in writing to the Company lodged at the office of the Company's share registry together with payment of the Exercise Price for each Option exercised. The minimum number of Options which may be exercised at any time is a marketable parcel except where less than that number is held in which case all Options held by one holder must be exercised.
5. The Company will not apply for official quotation of Options on the ASX. The Company will make application for official quotation on the ASX of new shares allotted on exercise of Options. Shares allotted on exercise of Options will participate equally in all respects with existing issued ordinary shares. In particular, shares allotted on exercise of Options will qualify for dividends declared after the date of allotment.
6. Options carry no right (without exercising the Options) to participate in rights issues which may be offered by the Company to its shareholders after the date of issue of the Options or in bonus issues or dividends. However the Company must give prior notice to Option holders of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules and Option holders have the right to exercise the Options prior to the record date for determining entitlements.
7. If during the currency of the Options the issued capital of the Company is reorganised, the rights of the Option holder in respect of those Options may be varied to comply with the ASX Listing Rules which apply to the reorganisation.
8. If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to this formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying ordinary shares into which one Option is exercisable

P= the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales);

S= the subscription price for an ordinary share under the pro rata issue;

D= the dividend due but not yet paid on each ordinary share at the relevant time (except those to be issued under the pro rata issue); and

N= the number of ordinary shares that must be held to entitle holders to receive a right to one new ordinary share in the pro rata issue.

9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
10. Option holders appearing on the Company's Register of Option holders at the relevant date will be entitled to receive and will be sent all reports and accounts required to be laid before shareholders in general meetings and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings.

## Annexure B - Employee Share Option Plan

### LEIGH CREEK ENERGY LTD SHARE OPTION PLAN

#### Plan Rules

#### 1. Purpose

- (a) The Leigh Creek Energy Ltd Share Option Plan provides Eligible Employees with the opportunity to acquire Options, and ultimately Shares, in the Company.
- (b) The manner in which Eligible Employees will be invited to participate in the Plan is set out in these Rules.
- (c) The Plan commences on the date these Rules are adopted by the Company or any later date that the Board decides.
- (d) The Company, each member of the Group and each Participant are bound by these rules.

#### 2. Definitions and interpretation

##### 2.1 Definitions

In these Rules, and any information booklet, invitation, notice, application form or document issued or given in connection with the Plan by the Company unless the contrary intention appears:

"**Additional Requirements**" means the performance, vesting and/or other criteria (if any) that are determined by the Board and specified in the Offer Notice to an Eligible Employee.

"**Application**" has the meaning given in Rule 4(e).

"**Application Form**" means an application form attached to an Offer Notice, in a form determined by the Board.

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASIC Instrument**" means an instrument made by ASIC that exempts the Company, or each person in a class of persons, from the Corporations Act or any part of it, or that modifies the application of the Corporations Act or any part of it in particular circumstances.

"**Associate**" in respect of an Eligible Employee means:

- (a) an immediate family member of the Eligible Employee;
- (b) a company whose members comprise no person other than the Eligible Employee or immediate family members of the Eligible Employee; or
- (c) a corporate trustee of a self managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993*), where the Eligible Employee is a director of the trustee,

or any other person the Board, in its absolute discretion agrees in writing is an "Associate" for the purposes of the Plan.

"**Associated Company**" means a related body corporate (within the meaning of that expression in the Corporations Act) of the Company, that the Board determines Employees of which will be eligible to participate in the Plan.

"**ASX**" means ASX Limited ACN 008 624 691, or the securities exchange operated by ASX Ltd, as the context requires.

"**Board**" means the Board of Directors of the Company as constituted from time to time.

"**Certificate**" means an Option certificate or holding statement issued pursuant to Rule 5 in such form as the Board may from time to time determine, and includes any replacement Certificate or holding statement issued pursuant to Rule 7(c).

"**Company**" means Leigh Creek Energy Ltd ACN 107 531 822

"**Control**" has the same meaning as in section 50AA of the Corporations Act.

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

"**Date of Grant**" means the date the Options are granted to the Participant, following receipt of a valid Application.

"**Eligible Employee**" means an Employee who has been approved or selected to receive an invitation by the Board for participation in the Plan.

"**Employee**" means a person in the full-time or part-time employment of a member of the Group (or a person otherwise in the employment of a company in the Group who the Board determines to be an Employee for the purposes of the Plan), consultants and contractors of a company in the Group and directors or officers of any member of the Group.

"**Exercise Period**" means, in respect of Options granted to a Participant, the period commencing on the first day after:

- (a) if Options are subject to vesting conditions, the date after satisfaction or waiver of all those vesting conditions; or
- (b) if the Options are not subject to vesting conditions, the Date of Grant;

and, subject to Rules 8 to 12 (inclusive) ending on the Expiration Date.

"**Exercise Price**" means the amount (if any) payable by a Participant on the exercise of an Option as specified in the Grant Notice, subject to any adjustment made in accordance with Rule 16(d).

"**Expiration Date**" means the earlier to occur of:

- (c) five years after the Date of Grant; and
- (d) the date of expiry (if any) specified in the Offer Notice.

"**Group**" means the Company and the Associated Companies.

**"Listing Rules"** means the listing rules of the ASX.

**"Notice of Exercise"** means a duly completed and executed notice of exercise of Option by a Participant, in a form approved by the Board from time to time.

**"Offer"** means an offer of grant of Options to an Eligible Employee under Rule 4(b).

**"Offer Notice"** means a notice issued to an Eligible Employee under Rule 4(b) in accordance with the specifications in Rule 4(c).

**"Option"** means a right, granted to a Participant, to subscribe for or acquire a Share under the Plan.

**"Participant"** means a person who holds an Option granted under the Plan.

**"Plan"** means the Leigh Creek Energy Ltd Employee Share Option Plan established and operated in accordance with these Rules.

**"Redundancy"** means a Participant ceasing to be employed by any member of the Group due to economic, technological, structural or other organisational change where, through no act or default of the Participant:

- (a) the Group no longer requires the duties and responsibilities carried out by the Participant to be carried out by anyone; or
- (b) the Group no longer requires the position held by the Participant to be held by anyone.

**"Retirement"** means a Participant ceasing to be employed by any member of the Group because:

- (a) the Participant attains the age that the Board accepts as the retirement age for that individual; or
- (b) the Participant is unable, in the opinion of the Board, to perform his or her duties because of illness or incapacity.

**"Rules"** means the rules governing the Plan set out in this instrument, as amended from time to time.

**"Security Interest"** means a mortgage, charge, pledge, lien or other encumbrance of any nature.

**"Separation"** means a Participant ceasing to be employed by any member of the Group by the volition of the Participant and with the written consent of the Board expressly given for the purposes of the Plan.

**"Shares"** mean fully paid ordinary shares in the capital of the Company.

**"Vested Options"** means an Option in respect of which all conditions have been satisfied or waived before that Option becomes vested in its holder.

## 2.2 Interpretation

In these Rules, unless the contrary intention appears:

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- (a) reference to any legislation or any provision of any legislation includes any modification or re-enactment of the legislation or any legislative provision substituted for, and all legislation and statutory instruments and regulations issued under the legislation;
  - (b) words denoting the singular include the plural and vice versa;
  - (c) words denoting a gender include the other genders;
  - (d) words denoting an individual or person include the individual's or person's legal personal representatives, executors, administrators and successors;
  - (e) headings are for convenience only and do not affect the interpretation of these Rules;
  - (f) reference to a clause or paragraph is a reference to a clause or paragraph of these Rules, or the corresponding Rule or Rules of this Plan as amended from time to time;
  - (g) reference to any document or agreement includes reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
  - (h) where any word or phrase is given a definite meaning in these Rules, any part of speech or other grammatical form of that word or phrase has a corresponding meaning;
  - (i) where an Eligible Employee is a consultant or contractor to a member of the Group, references to "employed" or "employment" in this Plan are references to "engaged" or "engagement" respectively and where the Eligible Employee holds office with a member of the Group, references to "employed" or "employment" in this Plan are references to the holding of that office; and
  - (j) if a Participant is an Associate of an Eligible Employee then:
    - (i) a reference in these Rules to a Participant ceasing (for any reason and howsoever defined or described) to be an Employee is a reference to the Employee in respect of whom the Associate is the Associate so ceasing to be an Employee as if the Options held by the Associate were held by such Employee, and the Rules apply accordingly;
    - (ii) the Rules otherwise apply to and bind the Associate; and
    - (iii) a reference to a Participant, where Options are held jointly or otherwise by an Associate of an Employee, extends to the Employee of which the Participant is the Associate.

### **3. Eligibility**

- (a) Only Eligible Employees may be granted Options under the Plan.
- (b) No Employee is entitled to Options unless the Board in its absolute discretion selects that Employee to be an Eligible Employee.

#### 4. Invitation, offer and grant of Options

- (a) Options may be granted by the Company from time to time under the Plan in accordance with, and subject to, these Rules.
- (b) The Company may, by notice in writing, from time to time offer an Eligible Employee the opportunity to participate in the Plan.
- (c) The Offer Notice must specify:
- (i) the name and residential address of the Eligible Employee to whom the offer is made;
  - (ii) the amount payable (if any) for the grant of an Option or how it is calculated;
  - (iii) the number of Options for which that Eligible Employee may apply;
  - (iv) the Exercise Price or the manner of determining the Exercise Price;
  - (v) the Expiration Date or how it is calculated;
  - (vi) the date by which the application for Options must be received by the Company; and
  - (vii) the Additional Requirements (if any) and any other specific terms and conditions applicable to the Options,
- and must be issued with such other information and documents as may be required by the Corporations Act (including any instrument of exemption or modification thereof) or the Listing Rules.
- (d) An Offer Notice must be accompanied by an Application Form, which must set out the method of acceptance, including:
- (i) the name or title of the person to whom the Application Form must be returned; and
  - (ii) the date and time by which the duly completed Application Form must be received by or on behalf of the Company; and
  - (iii) payment instructions for any amount payable for the grant of the Options (if applicable).
- (e) Following the receipt of an Offer Notice, application for the Options specified in the Offer Notice may be made by the Eligible Employee by duly completing the Application Form that accompanies the Offer Notice (**Application**).
- (f) The Application must be in the form included with the Offer Notice, and may not be made on the basis that it is subject to any terms and conditions other than those specified in the Offer Notice. An Eligible Employee may either:
- (i) accept the Offer made in the Offer Notice for all of the number of Options specified or part thereof;

- (ii) reject the Offer; or
- (iii) accept the Offer and nominate in writing that the Options be granted to one or more Associates of the Eligible Employee and in what proportions.
- (g) For an Application to be valid, it must be signed by the Eligible Employee and any nominated Associates and received by or on behalf of the Company by the time and date specified in the Application Form and accompanied by payment of any amount payable for the grant of the Options (if applicable), unless otherwise determined by the Board.
- (h) An Application by an Eligible Employee will not be accepted if, at the date the Application would otherwise be accepted:
- (i) he or she is not an Eligible Employee;
- (ii) he or she has given their Group Company employer notice of his or her resignation or termination as an Eligible Employee; or
- (iii) he or she has been given notice of termination of employment as an Eligible Employee or if, in the opinion of the Board, he or she has tendered his or her resignation or notice of termination to avoid such termination.
- (i) Each Participant is, by submitting a completed Application, deemed to have agreed to be bound by:
- (i) the terms of the Offer Notice and Application Form;
- (ii) the provisions of these Rules, as amended from time to time; and
- (iii) the constitution of the Company, as amended from time to time.
- (j) The Board may determine for any reason that an Application will not be accepted and is not obliged to give any reasons for its determination. If an Application is not accepted, then any amount payable for the grant of the Options (if applicable) that has been paid to the Company will be promptly returned, without interest.
- (k) An Offer Notice or Application Form may be in electronic form, in which case references in these rules to:
- (i) an Application Form accompanying or being included with an Offer Notice will be taken to include making that Application Form available in an electronic form;
- (ii) completing, signing and submitting an Application Form will be taken to be satisfied by the completion and submission of information in electronic form in any manner specified in the Offer Notice or Application Form; and
- (iii) receipt of an Application Form will be taken to be satisfied by the receipt of information in electronic form in any manner specified in the Offer

Notice or Application Form, subject to any applicable requirements of the Corporations Act and any ASIC Instrument.

- (l) Subject to Rule 4(i), on receipt of a valid Application, the Company at the discretion of the Board may grant Options to the Eligible Employee or their nominated Associate(s) specified in the Application, subject to these Rules and the terms and conditions specified in the Offer Notice.

**5. Certificate**

A Certificate must be issued evidencing the number of Options that have been granted to the Participant and setting out the number of Shares to which the Participant is entitled to subscribe for or acquire. The Certificate must be issued to the Participant within 2 months of the Date of Grant.

**6. Entitlement**

- (a) Each Option entitles the Participant to acquire or to subscribe for and be allotted, credited as fully paid, one Share at the Exercise Price.
- (b) Subject to these Rules and the Listing Rules, the Company must allot Shares following the valid exercise of Options.
- (c) Shares issued on the exercise of Options will rank equally with all existing Shares of that class from the date of allotment.

**7. Exercise of Options**

- (a) Subject to the satisfaction or waiver of the Additional Requirements (if any) and these Rules, an Option which has not lapsed is exercisable during the relevant Exercise Period by the Participant lodging with the Company, or such person nominated by the Board for that purpose, a Notice of Exercise signed by the Participant, together with the most recent Option Certificate and, subject to Rule 7(b), the Exercise Price for each Option to be exercised.
- (b) All payments pursuant to Rule 7(a) must be made by cheque or bank draft made out in favour of the Company, or such other method of payment approved by the Board, and must be forwarded to the Company Secretary of the Company, or such other person nominated by the Board for that purpose.
- (c) Each time a Participant exercises any Options covered by a Certificate, the Participant must exercise Options in multiples of 1,000 or such other number as the Board may decide (and, in the case where a Participant holds less than this number, the number held by a Participant). Where a Participant submits a Notice of Exercise in respect of any part of the Options held by the Participant, the Company must issue a replacement Certificate showing the remaining number of Options held by the Participant.
- (d) Each Participant must comply with all applicable laws (including the insider trading provisions of the Corporations Act) and any of the Company's policies (including any securities trading policy) in respect of the exercise of any Options and the dealing in any Shares issued to the Participant as a result of the exercise of any Options.

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- (e) Notwithstanding any other Rule, the Board is not obliged to accept a Notice of Exercise if, in its reasonable opinion, the exercise of the Options or resulting acquisition of Shares would result in a breach of law or a policy of the Company.

## **8. Lapse of Options**

- (a) Subject to Rule 8(b), an Option not previously exercised during the Exercise Period will lapse on the date which is the earlier of:
- (i) the Expiration Date;
  - (ii) non-satisfaction of any Additional Requirements that would result in forfeiture or lapse of the Options;
  - (iii) the expiry of 12 months after the Participant's death, if death occurs before the Option lapses under Rules 8(a)(iv) to 8(a)(vii) (both inclusive);
  - (iv) the expiry of 6 months after the Participant ceases to be an Employee by reason of Retirement;
  - (v) the expiry of 3 months after the Participant ceases to be an Employee for any other reason;
  - (vi) the date of lapse under Rules [9], 11 or 12 (if applicable); and
  - (vii) the Company's receipt of notice of surrender of the relevant Options from a Participant.
- (b) The Board has the absolute discretion to determine that Options will not lapse on the occurrence of any of the events referred to in Rule 8(a)(ii) to (vi) (inclusive), but the Board cannot allow Options to be exercised beyond the Expiration Date. A determination that Options will not lapse on the occurrence of an event referred to in rules 8(a)(ii) will constitute a waiver by the Board of the relevant Additional Requirements.
- (c) Unless the ASX Listing Rules provide otherwise, the Company is not required to notify an Option holder of the impending lapse or actual lapse of any Options. Following the lapse of an Option, any purported exercise of that Option will be invalid and the Company will have no obligation to issue any Shares to which a lapsed Option relates.

## **9. Exercise of an Option on ceasing to be employed by a Group Company**

If, before exercising an Option, a Participant ceases to be an Employee (other than by reason of his or her death), then (subject to the other provisions of this Rule 11):

- (a) if the employment ceases by reason of Retirement, Redundancy, Separation or otherwise for termination by the relevant Group Company other than in circumstances set out in Rule 12 the Participant may:
- (i) exercise a Vested Option at any time from the date of cessation of employment until it lapses, except a Vested Option is deemed to have lapsed on the date of cessation of employment where the Board

reasonably determines and provides notice to the Participant in writing that the Vested Option has lapsed and the Company has no obligation to issue the Shares to which the Vested Option relates following any purported exercise of the Vested Option; or

- (ii) if permitted by the Board in writing, exercise an Option that is not a Vested Option from the date of cessation of employment until it lapses; or
- (b) if the employment ceases for a reason other than Retirement, Redundancy, Separation or otherwise for termination by the relevant Group Company other than in circumstances set out in Rule 12 the Participant may exercise any unexercised Option at any time from the date of cessation until it lapses, only if permitted by the Board in writing.

**10. Individual not treated as ceasing to be an Employee**

A Participant:

- (a) is not treated as ceasing to be an Employee unless and until the individual is no longer an Employee of any Group Company, whether or not in the same capacity as at the time the Option was granted; and
- (b) subject to Rule 11, is not treated as ceasing to be an Employee if the individual is no longer an Employee because:
  - (i) the individual's employer ceases to be a Group Company, whether or not, after the cessation, the individual remains an employee, consultant or officer of that employer; or
  - (ii) the individual is an employee or consultant of a business that is transferred to a person that is not a Group Company.

**11. Option lapses if employer ceases to be a Group Company or on change in ownership of business**

If a Participant is no longer an Employee because of circumstances set out in paragraph 10(b), then the Options lapse upon this occurring except where otherwise determined by the Board in writing, in which case the Participant's Options lapse on the latest of:

- (a) the expiration of 3 months after the date of the cessation or transfer (as the case may be);
- (b) if the Board extends the period during which the Option may be exercised under Rule 8(b), the expiration of that time; and
- (c) if the Participant dies before the Option lapses under Rule 11(a) or 11(b), the expiration of 12 months after the individual's death.

**12. Option may lapse in the case of fraud or dishonesty**

If, in the opinion of the Board, a Participant:

- (a) has committed (or it is evident the Participant intends to commit), any act (whether by omission or commission) which amounts or would amount to any of

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dishonesty, fraud, wilful misconduct, wilful breach of duty, serious and wilful negligence or incompetence in the performance of the Participant's duties; or

- (b) is convicted of a criminal offence (other than a minor motor traffic offence or other trivial offence which does not impact on the Participant's good fame and character or ability to perform his/her duties) or is guilty of any other wilful or recklessly indifferent conduct which, in the reasonable opinion of the Board, may injure or tend to injure the reputation and/or the business or operations of a Group Company,

then the Board may declare that any unexercised Option has lapsed, and the Option lapses accordingly.

### **13. No exercise of Option on bankruptcy**

It is a condition precedent to the exercise of an Option that if the Participant is an individual, the Participant is not bankrupt and has not committed an act of bankruptcy or, if the Participant is deceased, the Participant's estate is not bankrupt or if the Participant is not an individual, the Participant is not insolvent or subject to a resolution or order for winding up.

### **14. Transfers**

- (a) Options are personal to the Participant and may only be exercised during the Exercise Period and not exercised by any other person or body corporate, (except that on the death of the Participant, the Options may be exercised during the Exercise Period in accordance with Rule 7 by the Participant's legal personal representative or in the event that an order is made for the Participant's estate to be administered under the laws relating to mental health, then by the person who is appointed to administer such estate).
- (b) Prior to the exercise of the Options, the Options may not be transferred at any time to any person. The Option lapses immediately on purported sale, assignment, transfer or dealing or grant, unless the Board in its absolute discretion approves the dealing, or the transfer or transmission is effected by force of law on death or legal incapacity to the Participant's legal personal representative.
- (c) Options will not be quoted on the ASX.

### **15. Quotation of Shares**

- (a) The Company will make application to the ASX for official quotation of Shares issued on the exercise of Options, if other Shares of that class of the Company are listed for quotation of the ASX at that time.
- (b) Where the Shares issued on the valid exercise of an Option are subject (pursuant to the Offer Notice and any Additional Requirements) to any restriction as to disposal or other dealing by the Participant for any period, the Board may implement any procedure it deems appropriate that complies with the Listing Rules (or the terms of any waiver given under them by the ASX) to ensure compliance by the Participant with this restriction.
- (c) By applying for and being granted Options under these Rules, each Participant undertakes that while the Shares acquired by the Participant as a result of the exercise of Options are subject to any restriction procedure prescribed under Rule

15(b), the Participant will not take any action or permit another person to take any action to remove the restriction procedure.

- (d) Upon the expiry of any restriction over a Share, the Company will take all reasonable actions within its control that are necessary to ensure that the Participant can deal with the Share.

**16. Changes in circumstances**

- (a) In the event of any reorganisation of the capital of the Company, the terms of the Options must be reorganised in accordance with the Listing Rules as at the date of reorganisation.
- (b) Participants will not be entitled to participate in any new issue of Shares in the Company as a result of such holding unless they have become entitled to exercise their Options under the Plan and do so prior the record date for the determination of entitlements to the new issue and participate as a result of being a holder of Shares.
- (c) If the Company makes a bonus issue of Shares pro-rata to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been allotted in respect of an Option before the record date for determining entitlements to the bonus issue, then the number of Shares over which the Option is exercisable must be increased by the number of Shares which the Participant would have received if the Participant had exercised the Option prior to the record date.
- (d) If the Company makes an offer of Shares pro-rata to existing shareholders (other than a Bonus Issue and an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been allotted in respect of an Option before the books closing date for determining entitlements to the rights issue, the Exercise Price of the Option must be adjusted in accordance with the Listing Rules on the basis that the Exercise Price is the exercise price referred to in the Listing Rules.
- (e) If the Company from time to time offers shareholders other securities, then the Board will determine in its absolute discretion whether the other securities are to be offered to Participants on the exercise of Options or whether any other equivalent securities, interest or rights will be offered to them and the basis thereof, to the intent that on the exercise of Options the Participants may be treated whenever possible as if they were shareholders at the Date of Grant.
- (f) The Board will be entitled to have any calculations or adjustments which are required to be made for the purposes of these Options to be made by the auditors of the Company for the time being and such calculations, in the absence of manifest error, will be final and conclusive and binding on the Participant.
- (g) The Company must notify each Participant of any adjustments made to the Exercise Price or the number of Options or the number of Shares underlying each Option.

**17. Takeover, scheme of arrangement, voluntary winding up**

- (a) Where, prior to the Expiry Date and whether or not Rules 17(b), 17(c) or 17(d) apply, the Board determines that there are circumstances which have occurred or

are likely to occur which will result in significant changes to the structure or control of the Company which may materially adversely affect the rights of or value of benefits to Participants, the Board must give written notice of such determination and notwithstanding any other provisions of these Rules must henceforth allow each Participant to lodge with the Company a Notice of Exercise.

- (b) If offers to acquire Shares in any class of shares in the Company are made under a takeover scheme or takeover announcement, then the Board must immediately give written notice to each Participant of the takeover offer and the Participant may, notwithstanding any other provisions of these Rules, exercise any Options at any time during the period of 6 months after the date on which the offers are made or, if the offers are conditional, the date on which the offers become unconditional, provided that no Option will be capable of exercise later than the Expiration Date.
- (c) If a scheme of arrangement under the Corporations Act is proposed between the Company and its shareholders, the Board may, at the request of the Participant:
- (i) if another company ("acquiring company") acquires Control of the Company and with the agreement of the acquiring company, seek to arrange that, as a condition of the proposed scheme, the Options relate to shares in the acquiring company instead of Shares, on such terms as are agreed between the Company, the option holder and the acquiring company (in which case this document will apply with all necessary modifications as if references to Shares were references to shares in the acquiring company and references to the Company were references to the acquiring company); and/or
  - (ii) notwithstanding the other provisions of these Rules, permit Options to be exercisable, conditional on the scheme of arrangement becoming effective during such a period and on such other terms as it may decide provided that no Option will be capable of exercise later than the Expiration Date.
- If no determination is made under paragraphs (i) or (ii), Options will continue to be subject to these Rules and the terms and conditions on which they were granted.
- (d) If a resolution for a member's voluntary winding up of the Company is to be put before members of the Company (other than for the purpose of a reconstruction or amalgamation) the Participant may, notwithstanding any other provision of these Rules, exercise his or her Options immediately such notice of meeting of members is dispatched to members provided that no Option will be capable of exercise later than the Expiration Date.

## **18. Notices**

Any notice or direction given under these Rules is validly given if it is handed to the person concerned or sent by ordinary prepaid post to the person's last known address or in such manner as the Board from time to time determines.

## **19. Right to accounts**

The Company is not obliged to give a Participant copies of any notices, circulars and other documents sent by the Company to its shareholders until that Participant becomes a shareholder.

**20. Limitations on size of the Plan**

- (a) Despite any other provision of these Rules or any term or condition of the participation of any Participant in the Plan, no Option may be granted or exercised if to do so would contravene the Corporations Act or the Listing Rules.
- (b) The Board must not issue an Offer Notice to apply for Options, if the number of Shares the subject of the Offer Notice, exceeds the maximum permitted under any applicable ASIC Instrument to ensure compliance with such ASIC Instrument.

**21. Variation of Rules**

- (a) The Company may, subject to the Listing Rules and Rule 21(b), add to or vary any of these Rules, or waive or modify the application of any of these Rules in relation to any Participant, at any time by resolution of the Board.
- (b) If an addition or variation under Rule 21(a) materially reduces the rights of Participants in respect of Options held by them prior to the date of amendment under the Plan, the Board must obtain the consent of three-quarters of the Participants affected by such addition or variation.
- (c) Notwithstanding Rule 21(b), the Board may amend the Rules and need not obtain Participant consent where the amendment is introduced primarily:
  - (i) to benefit the administration of the Plan;
  - (ii) to comply with or take account of current, new, or changes to the, provisions of any proposed or existing legislation, Listing Rules, or regulatory practice or any other State, Territory or Commonwealth legal requirements governing, regulating or affecting the maintenance or operation of the Plan or like plans;
  - (iii) to correct any manifest error or mistake;
  - (iv) to obtain or maintain favourable tax, exchange control or regulatory treatment of any member of the Group or any present or future Participant or to address possible adverse tax implications for Participants generally or any member of the Group arising from a ruling of any relevant taxation authority, change to tax legislation (including an official announcement by any relevant taxation or government authority) or a change in interpretation of legislation by a court of competent jurisdiction or by any relevant authority;
  - (v) for the purpose of enabling the Participants generally (but not necessarily each Participant) to receive a more favourable taxation treatment in respect of their participation in the Plan; or
  - (vi) to enable the Company or any member of the Group to comply with the Corporations Act or the Listing Rules or to take advantage of any exemption or modification granted from time to time by the ASIC in respect of employee share plans.

- (d) Subject to Rules 21(b) and 21(c), any amendment made under Rule 21(a) may be given retrospective effect as specified in the written instrument by which the amendment is made.
- (e) The Board is not required to give written notice of any changes made to any Participant affected.

**22. Termination or suspension of the Plan**

The Plan may be terminated or suspended at any time by the Board, but any such termination or suspension will not affect or prejudice rights (if any) of Participants holding Options at that time.

**23. Administration of the Plan**

- (a) The Plan will be administered by the Board or a committee of the Board in accordance with these Rules. The Board may make regulations for the operation of the Plan that are consistent with these Rules.
- (b) Where the Rules provide for a determination, decision, approval or opinion of the Board, such determination, decision, approval or opinion of the Board is in its absolute discretion.
- (c) Any power or discretion that is conferred on the Board by these Rules may be exercised by the Board in the interests or for the benefit of the Company, and the Board is not, in exercising any such power or discretion under any fiduciary or other obligation to any other person.
- (d) The decision of the Board as to the interpretation, effect or application of these Rules will be final.
- (e) The Board may delegate such functions and powers under this Plan, as it may consider appropriate, for the efficient administration of the Plan, to a committee made up of a person or persons capable of performing those functions and exercising those powers.
- (f) The Board or a committee may take and rely upon independent professional or expert advice in or in relation to the exercise of any of their powers or discretions under these Rules.
- (g) The Board may from time to time require a person invited to participate in the Plan or a Participant to complete and return such documents as may be required by law to be completed by that Eligible Employee, or such other documents which the Board considers should, for legal, taxation, administrative or other reasons, be completed by that Eligible Employee. If so requested, then such documents must be completed and returned within the time period specified by the Board.

**24. No Interest in Shares**

A Participant has no interest in Shares the subject of his or her Options unless and until those Options are exercised and underlying Shares are allotted to that Participant.

**25. Rights of Participant**

Nothing in these Rules:

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- (a) confers on any person any expectation to become or remain an Eligible Employee;
  - (b) confers on any person the right to be invited to apply for, to be offered or to receive any Options;
  - (c) confers on any Participant the right to continue as an Employee of the Company or any Associated Company;
  - (d) affects any rights which the Company or any Associated Company may have to terminate the employment or engagement of any Employee; or
  - (e) may be used to increase damages in any action brought against the Company or any Associated Company in respect of any such termination.

**26. General**

- (a) The entitlements of the Participants and these Rules are subject to the Company's Constitution, the Listing Rules and the Corporations Act.
- (b) The Plan must operate in accordance with these Rules, which bind the Company, each Associated Company, and each Participant.
- (c) Notwithstanding any Rule or the terms of any Option, no Option may be granted or exercised if to do so would contravene the Corporations Act or any other applicable laws or the Listing Rules.
- (d) The Company must pay all the expenses, costs and charges incurred in operating the Plan. The Company is not responsible for any duties or taxes which may become payable in connection with the issue and allotment of Shares pursuant to an exercise of the Options or any other dealing with the Options or Shares.
- (e) Where an offer to apply for Options pursuant to an Offer Notice is made to a person who is not a resident of Australia, the provisions of the Plan apply subject to such alterations or additions as the Board determines having regard to any applicable or relevant laws, matters of convenience and desirability and similar factors which may have application to the Participant or to any Associated Body Corporate in relation to the Options.
- (f) If any provision in these Rules is void, voidable by any party or illegal, it shall be read down so as to be valid and enforceable or, if it cannot be so read down, the provision (or where possible, the offending words) shall be severed from these Rules without affecting the validity, legality or enforceability of the remaining provisions (or parts of those provisions) of these Rules, which shall continue in full force and effect.

**27. Security Interests**

Participants may not grant any Security Interest in or over or otherwise dispose or deal with any Options or any interests therein, and any such Security Interest or disposal or dealing will not be recognised in any manner by the Company and the Option will automatically lapse on the granting of any such Security Interest unless the Board in its absolute discretion approves the dealing, Security Interest or the transfer or transmission is effected by force of law on death or legal incapacity to the Participant's legal personal representative.

**28. Governing Law**

This Plan and the rights of the Participants under the terms and conditions of the Plan are to be governed by the laws of South Australia.

For personal use only

For personal use only

**LEIGH CREEK ENERGY LTD**

ACN 107 531 822

("The company")

**EMPLOYEE SHARE OPTION PLAN**

## Annexure C

### Proportional Takeover Provisions

The following clause 85 is inserted into the Company's constitution:

#### 85. Proportional takeover bid

1. Registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under a proportional takeover bid (within the meaning in the Corporations Act) is prohibited unless and until a resolution (Approving Resolution) approving the proportional takeover bid is passed in accordance with this clause 85.
2. A person (other than the bidder or an associate of the bidder) who, as at the end of the day on which the first offer under the proportional takeover bid was made, held bid class Shares is entitled to:
  - a. Vote on an Approving Resolution; and
  - b. Has one vote for each bid class Share held.
3. Where offers have been made under a proportional takeover bid, the Directors must ensure that the Approving Resolution is voted on at a meeting of the persons described in clause 85(2) before the Approving Resolution deadline.
4. An Approving Resolution is passed if more than 50% of the votes cast on the resolution are cast in favour of the resolution, and otherwise is taken to have been rejected.
5. The provisions of this Constitution that apply to a general meeting of the Company apply, with such modifications as the circumstances require, to a meeting that is called under this clause 85 as if the meeting was a general meeting of the Company.
6. If an Approving Resolution to approve the proportional takeover bid is voted on in accordance with this clause 85 before the Approving Resolution deadline, then the Company must, on or before the Approving Resolution deadline, give:
  - a. The bidder; and
  - b. Each relevant financial market, a written notice stating that an Approving Resolution to approve the proportional takeover bid has been voted on and whether it was passed or rejected.
7. If no resolution has been voted on in accordance with this clause at the end of the day before the Approving Resolution deadline, a resolution to approve the proportional takeover bid is taken, for the purposes of this clause, to have been passed in accordance with this clause.
8. Under the Corporations Act, this clause 85 automatically ceases to have effect on that date which is three years after the date the Constitution was amended by the Company to include this clause 85, unless the Company renews these provisions in accordance with the Corporations Act.
9. For the purposes of this clause 85, the Approving Resolution deadline means the day that is the 14<sup>th</sup> day before the last day of the bid period.

**Annexure D - Information required under Listing Rule 7.3A.6**

Total Equity Securities on Issue 12 months prior to 23 September 2016<sup>+</sup> – **230,519,472**

Total number of Equity Securities Issued in the 12 months prior to 23 September 2016– 35,374,969 ordinary shares, 17,687,463 listed options, and 22,745,000 unlisted options.

Percentage Issued of the Total Equity Securities on Issue 12 months prior to 23 September 2016– 32.8%

*\*includes Shares, unquoted options, performance rights, and convertible notes*

**Equity Securities issued in 12 months prior to 23 September 2016:**

Date of issue	October 2015
Number of Equity Securities issued	2,000,000
Class/Type of Equity Security	Unlisted Options
Summary of terms	Detailed in the ASX announcement 27 May 2015
Names of persons who received securities or basis on which those persons was determined	Former Director
Price	1,000,000 with exercise price of \$0.212 1,000,000 with exercise price of \$0.25
Discount to market price (if any)	N/A
<i>For cash issues</i>	
Total cash consideration received:	N/A
Amount of cash consideration spent:	N/A
Use of cash consideration:	N/A
Intended use for remaining amount of cash (if any):	N/A
<i>For non-cash issues</i>	
Non-cash consideration paid:	Employee Share Option Plan
Current value of that non-cash consideration:	N/A

Date of issue	12 December 2015
Number of Equity Securities issued	12,250,000
Class/Type of Equity Security	Unlisted Options
Summary of terms	Detailed in the ASX announcement dated 12 December 2015.
Names of persons who received securities or basis on which those persons was determined	Existing Employees
Price	Exercise price of \$0.30
Discount to market price (if any)	N/A
<i>For cash issues</i>	
Total cash consideration received:	N/A
Amount of cash consideration spent:	N/A
Use of cash consideration:	N/A
Intended use for remaining amount of cash (if any):	N/A
<i>For non-cash issues</i>	

Non-cash consideration paid:	Employee Share Option Plan
Current value of that non-cash consideration:	N/A

Date of issue	9 May 2016
Number of Equity Securities issued	35,374,969
Class/Type of Equity Security	Ordinary
Summary of terms	Detailed in the ASX announcement dated 9 May 2016.
Names of persons who received securities or basis on which those persons was determined	Private placement to sophisticated, professional and other investors.
Price	Consideration for the placement was \$0.30 per share.
Discount to market price (if any)	N/A
<i>For cash issues</i>	
Total cash consideration received:	\$10,612,491
Amount of cash consideration spent:	\$3,053,262 at 5 August 2016
Use of cash consideration:	Investment in the Leigh Creek Energy Project, including initial gas flaring development activities, and working capital
Intended use for remaining amount of cash (if any):	Investment in the Leigh Creek Energy Project, including initial gas flaring development activities, and working capital
<i>For non-cash issues</i>	
Non-cash consideration paid:	N/A
Current value of that non-cash consideration:	N/A

Date of issue	7 June 2016
Number of Equity Securities issued	17,687,463
Class/Type of Equity Security	Quoted Option
Summary of terms	Detailed in the ASX announcement dated 9 May 2016.
Names of persons who received securities or basis on which those persons was determined	Those who participated in the private placement.
Price	N/A
Discount to market price (if any)	N/A
<i>For cash issues</i>	
Total cash consideration received:	N/A
Amount of cash consideration spent:	N/A
Use of cash consideration:	N/A
Intended use for remaining amount of cash (if any):	N/A
<i>For non-cash issues</i>	

Non-cash consideration paid:	N/A
Current value of that non-cash consideration:	N/A

Date of issue	29 June 2016
Number of Equity Securities issued	6,000,000
Class/Type of Equity Security	Unlisted Options
Summary of terms	Detailed in the ASX announcement dated 29 June 2016.
Names of persons who received securities or basis on which those persons was determined	To consultant
Price	1,500,000 at \$0.20 1,500,000 at \$0.22 1,500,000 at \$0.24 1,500,000 at \$0.26
Discount to market price (if any)	N/A
<i>For cash issues</i>	
Total cash consideration received:	N/A
Amount of cash consideration spent:	N/A
Use of cash consideration:	N/A
Intended use for remaining amount of cash (if any):	N/A
<i>For non-cash issues</i>	
Non-cash consideration paid:	Employee Share Option Plan
Current value of that non-cash consideration:	N/A

Date of issue	20 July 2016
Number of Equity Securities issued	2,300,000
Class/Type of Equity Security	Unlisted Options
Summary of terms	Detailed in the ASX announcement dated 20 July 2016.
Names of persons who received securities or basis on which those persons was determined	Broker in accordance with previous capital raising.
Price	Exercise price of \$0.30
Discount to market price (if any)	N/A
<i>For cash issues</i>	
Total cash consideration received:	N/A
Amount of cash consideration spent:	N/A
Use of cash consideration:	N/A
Intended use for remaining amount of cash (if any):	N/A
<i>For non-cash issues</i>	
Non-cash consideration paid:	In accordance with previous capital raising.
Current value of that non-cash consideration:	N/A

<b>Date of issue</b>	<b>29 July 2016</b>
Number of Equity Securities issued	195,000
Class/Type of Equity Security	Unlisted Options
Summary of terms	Detailed in the ASX announcement dated 29 July 2016.
Names of persons who received securities or basis on which those persons was determined	Employees.
Price	155,000 with an exercise price of \$0.49 40,000 with an exercise price of \$0.30
Discount to market price (if any)	N/A
<i>For cash issues</i>	
Total cash consideration received:	N/A
Amount of cash consideration spent:	N/A
Use of cash consideration:	N/A
Intended use for remaining amount of cash (if any):	N/A
<i>For non-cash issues</i>	
Non-cash consideration paid:	Employee Share Option Plan
Current value of that non-cash consideration:	N/A

## Annexure E - Information required under Listing Rule 7.5.3

### Terms and Conditions of Listed Options (Resolution 9)

The following are the terms and conditions of the Listed Options.

- (a) Each Option will entitle the Optionholder to subscribe for one Share in the Company (subject to possible adjustments referred to in paragraph (j), (k) and (l) below).
- (b) Each Option is exercisable at any time after the date of issue and before 5:00pm Adelaide time on 6 June 2018 (Expiry Date). Options not exercised before the Expiry Date will lapse.
- (c) The exercise price of each Option is \$0.50 (Exercise Price).
- (d) Options are exercisable by notice in writing to the Company, delivered to the registered address of the Company and accompanied by the full payment of the Exercise Price in cleared funds.
- (e) Some or all of the Options may be exercised at any one time or times prior to the Expiry Date.
- (f) Shares issued pursuant to the exercise of any of the Options will rank in all respects on equal terms with the existing Shares. The Company will seek to have the Shares issued on exercise of the Options admitted to the official list of ASX.
- (g) The Company will seek to have the Options admitted to the official list of ASX and the Options will be listed on ASX subject to ASX approval.
- (h) Subject to applicable law, the ASX Listing Rules and the ASX Settlement Operating Rules, each Option will be freely transferable at any time before the Expiry Date.
- (i) Options will not entitle the Optionholder to participate in any new issue of securities by the Company unless the Option has been duly exercised prior to the relevant record date. The Company will ensure that for the purposes of determining entitlements to participate in any new issues of securities to holders of Shares, that the record date will be in accordance with the ASX Listing Rules and timetables.
- (j) If there is a bonus issue to the holders of Shares:
  - (i) the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue; and
  - (ii) no change will be made to the Exercise Price.
- (k) If, prior to the Expiry Date, the issued capital of the Company is reorganised, the rights of the Optionholder will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.
- (l) In the event of a pro rata issue of securities to holders of Shares, the Exercise Price in respect of any unexercised Options may be adjusted in accordance with the adjustment formula for pro rata issues set out in the ASX Listing Rules at the time when the Options were granted.

## Terms and Conditions of Unlisted Options (Resolution 10)

The following are the terms and conditions of the Unlisted Options:

1. The Option holder is entitled on payment of the applicable exercise price for the relevant Option to be allotted one ordinary fully paid share for each Option exercised.
2. The exercise price for the Options are A\$0.30 (Exercise Price).
3. Options held by the Option holder are exercisable from the First Exercise Date up to and including the Last Exercise Date for the relevant class of Options as set out below (the Exercise Period). Reminder notices will be forwarded to the Option holder prior to the Last Exercise Date for each Option.

Number of Options	First Exercise Date	Last Exercise Date
1,500,000	Date of Issue	10 May 2019
800,000	8 May 2017	8 May 2021

4. Each Option that is not exercised on or before the Last Exercise Date for that Option will lapse.
5. An Option is exercisable by notice in writing to the Company lodged at the office of the Company's share registry together with payment of the Exercise Price for each Option exercised. The minimum number of Options which may be exercised at any time is a marketable parcel except where less than that number is held in which case all Options held by one holder must be exercised.
6. The Company will not apply for official quotation of Options on the ASX. The Company will make application for official quotation on the ASX of new shares allotted on exercise of Options. Shares allotted on exercise of Options will participate equally in all respects with existing issued ordinary shares. In particular, shares allotted on exercise of Options will qualify for dividends declared after the date of allotment.
7. Options carry no right (without exercising the Options) to participate in rights issues which may be offered by the Company to its shareholders after the date of issue of the Options or in bonus issues or dividends. However the Company must give prior notice to Option holders of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules and Option holders have the right to exercise the Options prior to the record date for determining entitlements.
8. If during the currency of the Options the issued capital of the Company is reorganised, the rights of the Option holder in respect of those Options may be varied to comply with the ASX Listing Rules which apply to the reorganisation.
9. If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to this formula:

$$A = O - \frac{E[P-(S+D)]}{(N+1)}$$

Where:

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying ordinary shares into which one Option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days ending on the day before the ex-rights date or ex entitlements date (excluding special crossings and overnight sales);


S = the subscription price for an ordinary share under the pro rata issue;


D = the dividend due but not yet paid on each ordinary share at the relevant time (except those to be issued under the pro rata issue); and

N = the number of ordinary shares that must be held to entitle holders to receive a right to one new ordinary share in the pro rata issue.

10. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
11. The 800,000 allotment of Options may, with the prior approval of the Board, be transferred at any time prior to their expiry by completing a standard form of transfer. The 1,500,000 allotment of Options may not be transferred at any time prior to their expiry.
12. Option holders appearing on the Company's Register of Option holders at the relevant date will be entitled to receive and will be sent all reports and accounts required to be laid before shareholders in general meetings and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings.

**Lodge your vote:**

 **Online:**  
www.investorvote.com.au

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

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



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

**Proxy Form**

**XX**

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

 **For your vote to be effective it must be received by 9:30am (Adelaide time) on Wednesday 21 September 2016**

**How to Vote on Items of Business**

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

**Appointment of Proxy**

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

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

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

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

**Signing Instructions for Postal Forms**

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

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

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

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

**Attending the Meeting**

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

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

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

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

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



I 9999999999

IND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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

the Chairman of the Meeting **OR**

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Leigh Creek Energy Ltd to be held at **Grant Thornton Australia Limited, 1/67 Greenhill Road, Wayville South Australia 5034 on Friday 23 September 2016 at 9:30am (Adelaide time)** and at any adjournment or postponement of that Meeting.

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

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

## STEP 2 Items of Business

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

Business	For	Against	Abstain	For	Against	Abstain	
1 Re-election of Mr Murray K Chatfield as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Ratification of issue of Listed Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of Additional 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Ratification of issue of Unlisted Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Adoption of the Remuneration Report for the year ended 30 June 2016	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Issue of a maximum of 60 million shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Grant of Options to Murray K Chatfield	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5 Grant of Options to Gregory D English	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6 Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
7 Proportional Takeover	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
8 Ratification of issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

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

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

LCK

999999A

Computershare +