

8 June 2017

ASX ANNOUNCEMENT



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Pre-Commercial Demonstration Stage on target for 2017 operation

- **Completion of financing has allowed acceleration of Pre-Commercial Demonstration Stage**
- **Approvals and engineering works progressing to meet schedule**
- **Results of Pre-Commercial Demonstration to determine optimum commercialisation pathways**

South Australian energy company, Leigh Creek Energy Limited (ASX: LCK) (“LCK” or “the Company”), is pleased to provide this corporate update and a status report on the Pre-Commercial Demonstration Stage (PCD) of the Leigh Creek Energy Project (LCEP).

STRATEGIC UPDATE

LCK recently announced the completion of its staged capital raise which provides the funding for the PCD. As a result:

- The Operations Team are focused on achieving PCD operations and flaring of syngas at the earliest possible date; and
- The Commercial Team is focussed on developing the prefeasibility studies to identify the preferred pathway to commercialisation.

The prefeasibility studies will be completed several months after flaring, as information from the flaring is essential to enable completion of these studies.

CORPORATE UPDATE

PCD Funding Completed

The Company announced on 30 March 2017 it had successfully completed a staged capital raising of \$21.85m (before fees) to cornerstone investor, China New Energy Group Ltd (CNE) and sophisticated and professional investors. The first 2 of 3 share placements to CNE settled in advance of due dates (see ASX announcements on 5 April 2017 and 12 May 2017 respectively); tranche 3 is subject to shareholder vote at an Extraordinary General Meeting to be held in the second half of 2017.

The Company announced on 18 November 2016 its “Certificate of Advanced Finding” from Innovation Australia, representing a refundable tax offset of 43.5% on anticipated expenditure of \$21.0m on the PCD. Subsequently (7 February 2017), the Company announced the establishment of a Research and Development working capital facility with the Commonwealth Bank of Australia (CBA). The facility currently has a \$2m limit, however in the upcoming 2017/18 financial year it is expected that this limit will be significantly increased (subject to approval of CBA).

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Together, the acquisition of these funding sources represents a significant de-risking event for the Company and the LCEP, as the PCD is now fully funded. This allows the Company to accelerate development of the PCD throughout the balance of 2017.

Consequently, the Company announced (on 18 May 2017) the ordering of long lead items for the PCD (see detailed description below).

CNE Visit

In early May, a delegation from CNE visited Adelaide and Leigh Creek and were welcomed to South Australia by the Minister for Mineral Resources and Energy, the Hon Tom Koutsantonis MP, the Shadow Minister for Energy and Mining, Mr Dan van Holst Pellekaan, and the Regulator of oil and gas projects in South Australia.



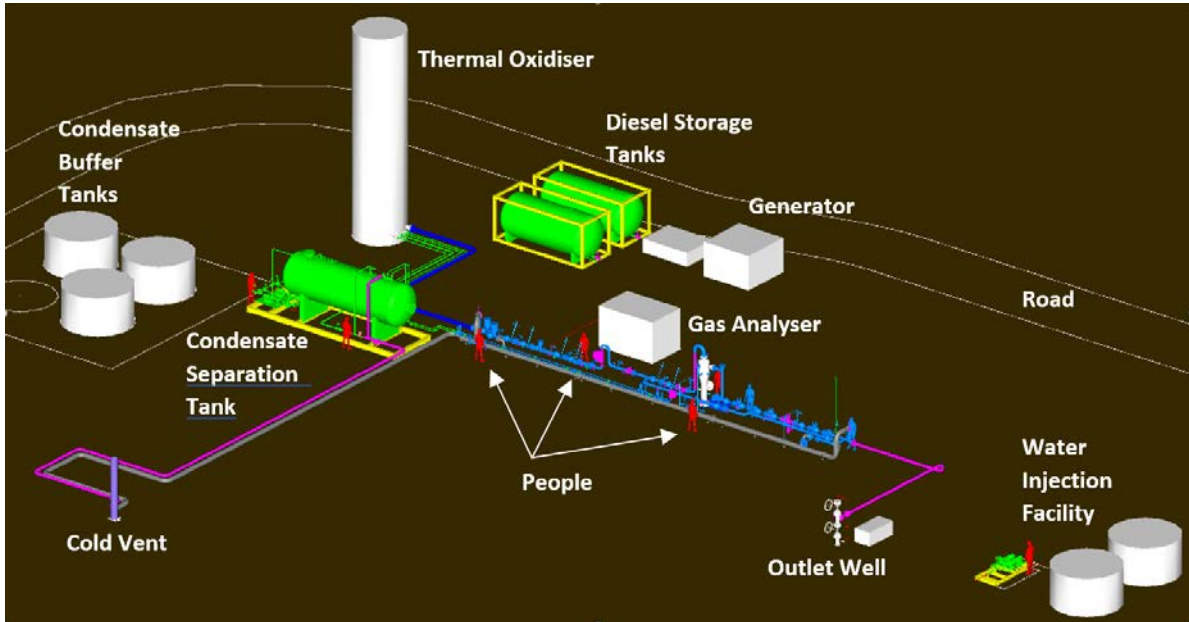
CNE and LCK delegation meeting with the Hon. Tom Koutsantonis MP, Treasurer and Minister for Mineral Resources and Energy and Minister for State Development (centre), Mr Yao, Vice President, Meijin Energy Group (centre), Mr Wang, Vice President CNE (far right), Justyn Peters, LCK Chairman (far left).



CNE and LCK personnel onsite at Leigh Creek

PROJECT UPDATE

Design work for above ground PCD plant (refer diagram below) has been completed, and an 80% Design Review is nearing completion. The completed design will be issued to the selected fabricator for construction. Contracts for drilling of the Inlet and Outlet wells, fabrication of above ground plant and associated surface works will be awarded shortly.



Indicative plan of the PCD plant components

As previously announced on 18 May 2017, the Thermal Oxidiser and Cold Vent, and the Gas Analyser and Gas instruments packages have been let to specialist firms Gasco and ABB Australia respectively.

The ongoing work on environmental assessments and regulatory approvals continues. The program to complete drilling of groundwater and pressure baseline monitoring wells is nearing completion. Data from these wells will be analysed to complete the conceptual model for environmental baseline characterisation. Additional groundwater and pressure monitoring wells will be installed surrounding the selected PCD site.



Drill Rig on site at the LCEP, May 2017

REGULATORY APPROVALS

It is important to understand the South Australian regulatory environment. South Australia's petroleum regulator is highly ranked against other states and countries as an attractive jurisdiction by the internationally recognised Fraser Institute Global Petroleum Survey, which analyses the regulation of oil and gas exploration and production around the world every year.

South Australia's *Petroleum and Geothermal Energy Act 2000* (PGE) embraces six key principles of certainty, openness, transparency, flexibility, practicality and efficiency and establishes the efficient and objective regulatory process for the LCEP. The 'one-stop shop' approach in South Australia considers approvals on a case-by-case basis whereby risks are identified and managed down to as low as reasonably practical.

The approach of the South Australian government has been clearly and publicly enunciated on a number of occasions. For example, speaking on the topic of South Australia's regulatory framework, the Minister for Mineral Resources and Energy, The Hon Tom Koutsantonis MP, has stated:

" ... the Leigh Creek project remained subject to rigorous environmental impact assessments before it could progress further" and "We have a very effective regulatory framework in SA and the merits of the LCK project will be assessed against that framework, not a political decision ..." (The Advertiser, 29 April 2016); and

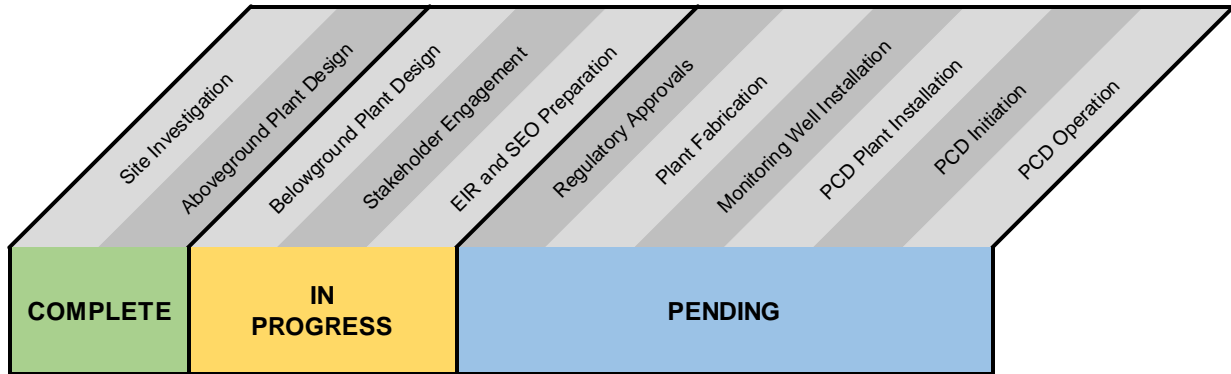
"I strongly believe that the approval or otherwise of gas exploration and extraction projects should be left to independent experts, rather than to politicians. We have the best regulatory systems in the world in this country and those systems should be trusted to protect the environment, the agriculture industry and communities" (InDaily, 30 August 2016).

LCK continues to progress its programme of work required in order to gain regulatory approval. In addition to operational planning and environmental assessment, a significant part of the work programme involves community engagement efforts. LCK continues to be committed to respectful and transparent communications, and aims to have informed discussions and proactively work with all stakeholders.

In accordance with the PGE Act, LCK is completing preparation of the Environmental Impact Report and Statement of Environmental Objectives, which form a critical part of its approval application for the construction and operation of the PCD.

SUMMARY

With funding for the PCD secured, the driving focus of the LCK Operations Team is towards flaring in the fourth quarter of 2017. The project is accelerating rapidly. Current and expected progress is summarised in the following graphic:



Commenting on the announcement Mr. Phil Staveley (Chief Executive Officer, LCK) said: *“This is an exciting time for LCK. With the support of CNE and other investors during the recent capital raise, we are now able to focus on moving forward with our plans to achieve flaring in 2017. This event is widely anticipated by not only current and future investors, but the wider community having an interest in seeing this project be successful in delivering a major sustainable and commercially successful energy source in the near future”.*

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About Leigh Creek Energy

Leigh Creek Energy Limited (LCK) is an emerging gas company focused on developing its Leigh Creek Energy Project (LCEP), located in South Australia. The LCEP will produce high value products such as electricity, methane and ammonium nitrate products (fertiliser and industrial explosives) 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.

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