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ASX ANNOUNCEMENT

Manager Companies
Companies Announcements Office
Australian Securities Exchange

Chairman's Letter

Dear Shareholders,

I wanted to take this opportunity to update you on the further progress we are making on the Leigh Creek Energy Project (LCEP) since the release of our Annual Report. Of significance is the confirmation of our strong relationship with China New Energy Group Limited (CNE) through the completion of their investment in Leigh Creek Energy Limited (The Company or LCK) and progress on the corporate front.

LCEP Progress

As a company we have made and are making great progress. We have continued our extensive and ongoing consultation with the South Australian Government and continue to be encouraged by their positive attitude. We are making great progress on the Pre-Commercial Demonstration (PCD) and we are entering an exciting time where we have moved past design to the procurement of the equipment for the PCD facility.

Now that equity contributions by CNE under the Subscription Agreement dated 30th March 2017 (reference ASX release 30th March 2017) are completed we have the capacity to move forward quickly and the level of motivation and activity in the Company is very positive with all staff focussed on our drive to flare gas.

On the 26th of June 2017 we were able to announce that the programme for drilling baseline groundwater and pressure monitoring wells was completed. This programme comprised three groundwater monitoring wells and one pressure monitoring well. Data from these wells will now be analysed to complete the conceptual model for environmental baseline characterisation.

As we reported in our September quarterly activities report the commencement of the demonstration facility has been delayed to allow us to provide more data to the regulator. This delay is unfortunate but the request for more data is reasonable and we are working closely with the regulator to provide them with the data to enable them to make an informed decision. To this extent we are drilling 3 more wells in order to access the required information as soon as practical.

The conceptual model identifying the baseline environmental conditions of the PCD is an essential input into the documentation requirements for the regulatory approval to construct and operate the PCD. This is a significant achievement by the team and I want to congratulate them for a great effort and result.

Relationship with CNE

I want to thank CNE on the timely completion of their investment in LCK. When we first announced the agreement for CNE to become shareholders in LCK we were very excited that such a large company was

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backing us both in the short and long term. CNE and their parent Meijin Energy Group were prepared to invest \$20m in a demonstration facility.

They are not simply an investor who wants to get a return on their investment but a strategic partner who recognises the great potential of LCK and wants to be part of the long term future. It should come as no surprise that CNE and their parent company is involved in steel manufacturing, power generation and of particular relevance is that they own and operate a fertiliser/urea plant. All these activities require large amounts of both gas and electricity. CNE recognise that once LCK is in commercial production we will have abundant energy potentially processed in the form of both electricity and gas.

The level of co-operation with the SA Government and the positive support of CNE was clearly demonstrated when the CNE team were in Adelaide and met with the LCK team, visited the Leigh Creek site and met with the SA Government Departments and the Minister. The visit was so successful, and CNE so encouraged by what they saw and the messages they received from everyone, that they completed Tranche 2 early and since then have completed their \$20m investment with LCK.



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).

We are proud of our association and support of CNE and Meijin Energy Group as these are companies with a strong track record in industrials and coal. CNE have demonstrated through their timely completion of their investment, the commitment they have to LCK.

Corporate Progress

We now have two positive independent reports regarding the LCEP.

We have the Independent Experts Report (IER) that was commissioned to inform shareholders on the issue of Tranche 4 shares to CNE, concluding that it was not fair, but reasonable. In making its fairness assessment, the IER authors - Grant Thornton Corporate Finance - concluded that the LCK shares were trading at a discount to underlying value due to a range of factors including financial distress, investor speculation, news flow and political events. We now also have a comprehensive economic impact assessment report prepared by KPMG that looks very positive, considering the economic and infrastructure benefits of the LCEP. Benefits of the LCEP include direct and indirect employment, direct and indirect construction expenditures, other flow-on impacts to supply chains, and product sales.

I also want to take this opportunity to thank the Adnyamathanha people, the Traditional Owners of the region, for their assistance and cooperation with us over the last year. We believe very strongly in developing a long term mutually beneficial relationship together and look forward to further developing our relationship.

On the corporate front we are also reviewing the composition of the Board in order to ensure that we have the right balance of skills across the Board that will support our development in both the long and short terms.

Summary

In conclusion, the LCEP itself is moving ahead rapidly, we are financed to the production of Syngas from the PCD, we have been given great encouragement by the SA Government. Over the next few months we as a company are focussed on the success of the PCD and I am very confident in our team and their ability to deliver on the PCD and our future in South Australia.

On a long term front the executive team will also be working in 2018 to secure funding for the commercial stage of the project and we look forward to reporting our progress on that front. As a company we are looking forward to the progress where we can move from the PCD phase and start working toward a commercial project at Leigh Creek.



Justyn Peters
Executive Chairman

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 stability and economic development opportunities to the communities of the Upper Spencer Gulf, 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.