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Manager Companies  
Companies Announcements Office  
Australian Securities Exchange Limited

## Market Update on Leigh Creek Energy

The board of Leigh Creek Energy Limited (ASX: **LCK**) (the Company) would like to take this opportunity to update the market on the significant progress made over the last few months.

### Government Relations

LCK staff meet weekly with Government officers and managers and we are pleased to be able to report that our relationship with the Government is one where we are receiving continuing support and assistance to progress the Leigh Creek Energy Project (**LCEP**).

### Financial Position

The ongoing financial viability of the Company, following the recent capital raise, is strong and we are now in a position where we are rapidly progressing the operational side of the business.

### Corporate Governance

LCK have been interviewing possible additions to the board, to increase the number of independent directors in the Company. We expect to be able to make an announcement to the market in the near future on this matter.

### Operations

We have recently engaged several operational staff to strengthen our engineering capability and the design of the demonstration facility is progressing well. In addition, we are due to commence drilling at the site for our baseline environmental studies and monitoring over the coming weeks.

### Electricity

The South Australian electricity market continues to experience, and is forecast to continue to experience, intermittent power grid instability and likely power outages. This stems from the high level of renewable energy present in this State combined with the closure in May 2016 of base load coal fired power generation at Port Augusta. Electricity prices have jumped accordingly with offers for power recently in the \$80-90/MWhr range. This is a level 2-3 times prior wholesale power prices.

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The LCEP intends to bring reliable affordable power to South Australian wholesale users and we continue to have ongoing conversations about long term power supply.

This is important to us financially but also has the social benefit of helping support investment decisions by companies who operate in South Australia and require a stable and reliable source of electricity. This in turn can help keep jobs, create jobs and create royalties.

We hope to be in a position to provide more detailed information about our electricity supply plans in coming months.

## **Gas**

The Australian East Coast gas market remains on course to experience supply shortfalls over the next few years and external commentary, including that of the regulator, suggest the shortage widens over time. Gas prices have essentially doubled in the last few years.

A large number of factors are hindering the usual supply response which may normally occur in response to such predicted shortages and rising prices, including;

- Energy companies having diminished capacity to spend on exploration due to low oil prices.
- NSW government action curtailing a conventional gas project, following extended environmental protests, resulting in a payout to that company that was a fraction of the original spend.
- A moratorium on onshore petroleum exploration by the Victorian government.
- A Northern Territory pending election partially being fought on pro and anti fracking grounds.
- Falling gas volumes from traditional major gas basins (such as the Cooper Basin).
- Increasing environmental opposition to the planned bringing forward of coal seam gas wells in Queensland.
- Decisions by companies to exit gas production, for example AGL who recently wrote down assets and announced plans to shut down some gas assets.

The Board of LCK is paying close attention to all these changes on a monthly basis and is of the view that gas markets are getting tighter. The focus is therefore on best taking advantage of this positive eventuality and to create price tension around our options to monetise gas assets.

Demand for our gas is clearly evident and we expect this to increase as we move towards pre-commercial gas production demonstration. We are in serious negotiations with multiple parties regarding both Gas and Electricity supply.

## **Shanghai Electric Group**

We are pleased to be able inform the market that Shanghai Electric sent a large delegation of senior managers and engineers to Adelaide and Leigh Creek to meet with LCK, the Government and to go to the site and the town of Leigh Creek. All meetings were extremely successful and the delegation has completed their reports on commercial, government and technical matters. The President of Shanghai Electric has informed us that the visit of his delegation went extremely well and he is looking forward to his team progressing this project to generate base load power.

## **Research and Development**

LCK is increasing its planning and efforts around best using the available intellectual capital within LCK and externally available to LCK to best harness the gas resources in our portfolio. In addition we are seeking unique ways to lower expected costs, improve expected recovery rates and to minimise the production of waste material.

In addition we seek to utilise waste material generated in unique ways so that we minimise our environmental footprint.

All of this effort is being brought to bear under the banner of R&D and we expect to communicate in more detail soon regarding our own efforts on this front and also planned efforts in collaboration with others.

### **Investor Relations**

We are also pleased to announce that we recently hosted a large group of fund managers and analysts from Australia in our office and at Leigh Creek. That visit went extremely well and we are extremely encouraged by the comments and feedback provided by them on the visit.

We are presently increasing our human resources in order to conduct wider ranging and more frequent investor related activities, including regular site visits.

### **Recent Analyst Report**

Independent financial services group State One Stockbroking Ltd has produced a report on LCK that is currently available on the Company's website [www.lcke.com.au](http://www.lcke.com.au).

We look forward to updating the market on any new developments over the coming weeks.

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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 fertiliser from the remnant coal resources at Leigh Creek utilising In Situ Gasification technologies, and will provide long term growth and opportunities to the communities of the northern Flinders Ranges and South Australia.*

*The Company is committed to developing the LCEP using a best practice approach to mitigate the technical, environmental and financial project risks to as low as can be reasonably achieved.*