



31 October 2016

Manager Companies
Companies Announcements Office
Australian Securities Exchange Limited

Quarterly report for the three months to September 30, 2016

Highlights

- Progressing towards Syngas Pre-Commercial Demonstration (PCD) Facility in South Australia
- On track to become a large, reliable energy supplier
- Strong cash balance of \$5.4 million at 30 September 2016
- Continued instability of the South Australian electricity market reflects energy opportunity
- Internal restructure improves capacity to execute with a significant overhead reduction

Leigh Creek Energy Limited (LCK) is pleased to provide an update on the development of the Leigh Creek Energy Project (LCEP) in South Australia for the three months to September 30, 2016.

Operating Environment

Leigh Creek Energy is focussed on the production of energy from its coal resources at Leigh Creek, South Australia. Energy output options include both electricity and pipeline quality Natural Gas. The markets for both gas and electricity are currently severely supply constrained.

Instability in the South Australian electricity market

South Australia experienced a "Condition Black" event on 28 September. Under this event the whole of South Australia suffered a blackout, which in some regions lasted up to five days.

Where previously the focus of the power debate in South Australia had been around pricing, the key focus has now moved to reliability of supply. Both the Federal government in Canberra and the State government in Adelaide have begun to emphasise that the priority for the power network is reliability over sustainability.

Whilst high power prices may make businesses less competitive, an unreliable power supply makes many businesses unfeasible. This is in addition to the direct social impacts of unreliable power supply. South Australia has a very effective and supportive regulatory framework but the power crisis may weaken the state's industrial base at a time when some large employers are already in difficulty.

With the closure of baseload power stations, these problems are unlikely to be resolved quickly.

Rising Prices for Gas

There is a limited number of transactions in the gas market, but current prices are continuing on their upward trajectory. These rising prices further exacerbate the South Australian power problems. Remaining peaking capacity in the state is now solely from gas power generators. As the cost of gas continues to increase so does the cost of electricity produced by these generators.

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We are an Emerging Energy Company

LCK has a certified PRMS 2C gas resource of 2963.9 PJ of syngas. The syngas produced from the ISG process can be utilised for various purposes including power generation, pipeline quality Natural Gas and fertiliser production. With ongoing studies determining the most appropriate pathway to commercialisation, LCK is ideally situated to take advantage of the current and future anticipated market volatility.

Each of the potential pathways to commercialisation hold in common that the first and immediate step is completion of the Pre-Commercial Demonstration plant (PCD).

The difficulties in the energy markets in Australia were brought into sharp focus by the recent Condition Black event in South Australia. Since that time LCK has been the subject of numerous approaches from the perspectives of both an electricity producer and a gas supplier. We are in active discussion with potential customers and partners for delivery of the LCEP.

Leigh Creek Energy Project Syngas Pre-Commercial Demonstration Facility



Fig.1 Drill rig on Leigh Creek minesite in October, collecting baseline environmental data for the demonstration site.

The next phase of the LCEP is to complete the Syngas Pre-Commercial Demonstration (PCD). Baseline environmental studies for the PCD continue and relevant documentation around demonstration approvals are being collated. LCK is pleased to confirm that the first monitoring well was completed during the quarter, including the installation of eight water pressure sensors at various depths to basement. This installation was completed with no safety incidents and in compliance with the DSD approved Environmental Assessment. LCK has begun drilling the remaining drill holes required for the purpose of groundwater baseline monitoring, noting that the number of drill holes required is dependent upon the information gathered. The technical findings will be documented in environmental assessment reports central to the approval process, which includes extensive consultation with relevant stakeholders and the local community. LCK is finalising the design of the PCD facility, and will soon begin letting out sections of the construction with a focus on local manufacturers. Prior to fabrication a series of detailed risk assessments will be finalised with the regulators to ensure project compliance.

Successful operation of the PCD will result in the data and knowledge required to finalise the commercial phase facility feasibility and designs. The PCD will use commercial scale ISG equipment and for this reason the transition from pre-commercial to commercial will only require replication.

Restructured Management and Revised Project Timelines

At the end of September one of the founding directors, David Shearwood, stepped down as Managing Director. The LCK management structure had, until this point, evolved organically over time. In October we took the opportunity to restructure the organisation from the ground up, developing a structure that is aligned with the current and future needs of the company. The restructure includes the appointment of Phil Staveley as the fulltime CEO, Mark Terry as CFO, and Justin Haines as COO. It is important to highlight that the new company structure has been achieved entirely from internal people and there were no changes to remuneration. In addition, the restructure involved some redundancies, significantly lowering the overall overhead cost of the business moving forward.

The future development pathway options are numerous. The Board and management are currently reviewing the optimal pathways with due attention being paid to risk profile, cost and timing. This review will be completed in the current quarter. It is encouraging to note that the review underway (noted above) has indicated no significant variance in PCD capital costs.

Finance

At the end of the quarter, 30 September 2016, LCK's cash balance was \$5.4 million. A summary of the cash flows for the quarter are attached in the Appendix 5B.

Tenements

As of 30 September 2016, LCK had a 100% interest in the licences listed below, all in South Australia, through LCK's wholly owned subsidiary ARP TriEnergy Pty Ltd.

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

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

"We are very pleased with the progress during the quarter and are well positioned for growth with a fit-for-purpose management team in place to deliver the PCD next year and transition the company to full scale LCEP in South Australia. The energy market is desperate for new reliable supply and we are moving forward quickly and safely to satisfy that demand. The immediate focus will be completing the baseline environmental report, regulatory approvals, confirmation of funding, and then construction of the PCD."

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Gas Resource Statement

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

About Leigh Creek Energy

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

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Leigh Creek Energy Limited

ABN

31 107 531 822

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(1,451)	(1,451)
(b) development		
(c) production		
(d) staff costs	(1,142)	(1,142)
(e) administration and corporate costs	(715)	(715)
1.3 Dividends received (see note 3)		
1.4 Interest received	12	12
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(3,296)	(3,296)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(22)	(22)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

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Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(22)	(22)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,738	8,738
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,296)	(3,296)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22)	(22)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	5,420	5,420

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5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	5,420	8,738
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,420	8,738

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	479
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Item 6.1 includes salaries, directors fees and termination payment for Managing Director

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	2,366
9.2 Development	
9.3 Production	
9.4 Staff costs	669
9.5 Administration and corporate costs	943
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	3,978

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EL 5596 – Leigh Creek	Held by the Company's wholly owned subsidiary ARP TriEnergy Pty Ltd	100%	Nil
	EL 5597 – Leigh Creek		100%	Nil
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date: 31 October 2016

Print name:

Jordan Mehrtens

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.