



30 March 2017

ASX ANNOUNCEMENT

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Leigh Creek Energy raise A\$21.85m - fully funded to completion of Demonstration Facility

- **Three Stage placement of 150.0m shares at 14.6c per share to raise A\$21.85m**
- **Leigh Creek Energy Limited ("LCK") is pleased to welcome cornerstone investor China New Energy Ltd to its corporate registry - a Hong Kong Based Company jointly owning assets with Shanxi Meijin Energy Limited**
- **LCK is now fully funded through to completion of its Pre-Commercial ISG Demonstration facility ("PCD")**

Leigh Creek Energy Limited ("LCK") is pleased to announce that it has successfully completed a \$21.85m capital raising (before costs) by way of a private placement of 150.0m new fully paid ordinary shares in the Company ("Shares") to a cornerstone investor and to sophisticated and professional investors at an average issue price of A\$0.146 per Share ("Placement").

LCK has signed a subscription agreement with China New Energy Ltd ("CNE"), which is a large Hong Kong Based Company who jointly owns assets in China with Shanxi Meijin Energy Limited ("Meijin"), to purchase 136.3 million Leigh Creek Energy Limited Ordinary Shares in three tranches at an average issue price of \$0.147 per share, raising \$20.0m AUD ("CNE Placement").

CNE's investment is an acknowledgement of LCK's significant gas resources, project management and commercial expertise, significant potential capital growth prospects and that LCK is at the forefront of, and has substantively progressed, the commercialisation of ISG technology.

The first tranche of the CNE Placement involves the issue of 30.0 million shares at A\$0.135 per share raising A\$4.1m with a settlement date of 31st of March 2017. This is followed by 22.8 million shares at A\$0.15 per share raising A\$3.4m settling 31st May 2017. A further tranche of 83.5 million shares at A\$0.15 per share raising A\$12.5m will be issued subject to shareholder approval at an Extraordinary General Meeting to be held no later than eight weeks after the completion of the second tranche.

On completion of the second tranche CNE will have the right to a seat on the Board of Directors and following tranche 3 CNE will hold approximately 32.78% of the total LCK shares on issue (based on LCK's expanded share capital after completion of the Placement and assuming no further Shares are issued between the date of this announcement and completion of tranche 3).

In addition to the CNE Placement, LCK has placed a further 13.7m shares at A\$0.135 per share with sophisticated and professional investors to raise a total of \$1.8m ("Institutional Placement").

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The Shares will be issued without disclosure in reliance on an exception from disclosure in section 708 of the *Corporations Act 2001* (Cth). No Shareholder approval will be required for the Institutional Placement and tranches 1 and 2 of the CNE Placement, as they will be undertaken utilising the Company's 10% capacity under Listing Rule 7.1A and the Company's 15% capacity under Listing Rule 7.1. Tranche 3 shares will be issued subject to shareholder approval for the purposes of ASX Listing Rule 7.1 and item 7 of section 611 of the *Corporations Act 2001* (Cth) at a meeting to be convened by the Company for that purpose as soon as practicable and by no later than August 15, 2017.

LEIGH CREEK PROJECT ASSURED

The funds raised by the Company under the Placement will be used to invest in the Leigh Creek Energy Project ("LCEP"), with funds directed towards construction and operation of the PCD facility. This capital raise provides the capital required to complete the demonstration facility. This removes a major hurdle for LCK and is a critical de-risking event in the history of the company.

CNE intends to be a long term partner with LCK in developing the Leigh Creek Energy Project and future commercialisation of the technology developed at Leigh Creek.

ABOUT CHINA NEW ENERGY GROUP LIMITED

China New Energy Group Limited is a Hong Kong Company with large asset holdings in China. They are joint owners with Shanxi Meijin Energy Limited in the following assets in China:

- Steel Mills producing 2mt of steel each year;
- 3 Gas Fired Powers Stations (Total)
- 4 Coking Coal and PCI Mines

The total asset value of the Company is 15.7B RMB (AUD\$2.6B)

CNE has been established to partner with overseas companies with demonstrated growth prospects, strong project and commercial management expertise, and having commercial opportunities that align with its strategic investment objectives

Commenting on the Placement, Justyn Peters, Executive Chair of LCK said:

"We are very pleased to have secured a cornerstone investor that has such a significant profile and presence such as China New Energy Group Limited and their partner Shanxi Meijin Energy Limited. Their significant reputations are based on their successful track record in the international business community. The investment by China New Energy underpins the financial viability of the project and company, representing a significant positive step in the development of the Leigh Creek Energy Project. This major de-risking of the project is a significant achievement. We look forward to the future development of the Leigh Creek project."

Summary

LCK continues to advance the development of the PCD, the first phase of the Leigh Creek Energy Project. Progress will be announced as the project is advanced towards on-site construction, commissioning and initiation.

LCK remains committed to completing the PCD in a safe, timely and cost-efficient manner, whilst simultaneously developing the corporate relationships that will be necessary in order to deliver maximum value from the LCEP.

The PCD, scheduled for Q4 2017 is a major step forward for LCK. This is now fully funded. The PCD will provide:

- Proof of concept in that it incorporates syngas production, analysis and flaring/combustion;
- Information to inform the final design of the commercial facility;
- Information required to submit approval request to the State Government regulatory bodies for the commercial project.

For further information, please contact:

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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 (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.