



12 May 2017

ASX ANNOUNCEMENT

Manager Companies
Companies Announcements Office
Australian Securities Exchange

Receipt of Second Tranche Funds from CNE

- **Early fulfilment of second tranche payment of AUD\$3.4m received on 12 May 2017 from cornerstone investor, China New Energy Group Limited**

On 30 March 2017, Leigh Creek Energy Limited (LCK) announced it had successfully completed a A\$21.85m capital raising (before costs) to cornerstone investor China New Energy Group Limited (CNE), and sophisticated and professional investors. LCK also announced at that time that the first of three tranches of CNE funding, AUD\$4.1m, was received ahead of schedule on 30 March 2017.

LCK is pleased to announce that the second tranche of AUD\$3.4m (before costs), at \$0.15 per share, has now been received, also ahead of the due date, being 31 May. CNE now holds 15.9% of LCK shares on issue. On completion of the second tranche CNE will have the right to a seat on the Board of Directors.

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. Following the third tranche, CNE will hold 32.8% of LCK shares on issue.

CNE Site Visit

CNE visited LCK in Adelaide from 5-12 May and during that time visited the Leigh Creek Energy Project (LCEP) site and the Leigh Creek township and surrounds. They also met South Australia's Minister for Mineral Resources and Energy, the Hon Tom Koutsantonis MP and his staff, and key government executives involved in the regulation of resources in South Australia. The CNE delegation were also able to meet with the Shadow Minister for Energy and Mining, Mr. Dan van Holst Pellekaan MP.

LEIGH CREEK ENERGY PROJECT ASSURED

The funds raised by LCK through the capital raising will be applied to the construction and operation of the Pre-Commercial Demonstration facility (PCD) phase of the LCEP, and is a critical de-risking event for the company.

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); and
- 4 Coking Coal and PCI Mines.

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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.

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 approvals, 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.

Operation of 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 for syngas production;
- Syngas analysis and composition;
- Information to inform the final design of the commercial facility; and
- Information required to submit approval request to the Government regulatory bodies for the commercial project.

Commenting on the announcement Mr. Phil Staveley (Chief Executive Officer) said: *"The early payment by CNE of tranches 1 and 2 consolidates the close working relationship CNE have developed with LCK. After visiting the Leigh Creek area and witnessing first-hand the suitability of the site for the Leigh Creek Energy Project, the technical skills and staff required to execute this project, along with the briefing from the Minister for Mineral Resources and Energy, the Hon Tom Koutsantonis MP, CNE acknowledged the opportunity for advancing the project immediately."*

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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.