



22 May 2017

Manager Companies
Companies Announcements Office
Australian Securities Exchange Limited

Chairman's Letter to Shareholders

Dear Shareholders

Many of you will be aware that a group of shareholders (which included the previous Managing Director David Shearwood) (the "Group") lodged a 249D notice with the Board proposing the removal of myself from the Board. The Board's legal advisors considered the notice and provided advice that the notice was invalid and based on that advice the Board did not call a meeting.

As your Chairman I feel compelled to communicate with all shareholders why the Board and I believe these current developments are not in the best interests of shareholders and are highly disruptive to your Company.

Your Board will continue to act in your best interests applying sound corporate governance practice. Consideration of alternate board teams lacks planning and is premature in the extreme. If the Group want to propose a change to the Board and to propose alternate directors they have the Annual General Meeting ("AGM") to do so. The AGM is the appropriate meeting at which the shareholders may vote on the composition of the Board in an orderly and cost-effective manner.

It is interesting that this disruption is taking place immediately after a successful capital raise where the Company worked diligently to raise funds to build the Pre-Commercial Demonstration ("PCD") facility and commence demonstration of gas by the end of the year (subject to receipt of Government approvals). The demonstration of gas will be a major milestone for the Company and should result in a significant re-rating of the Company. The Board is committed to achieving this goal as quickly and as safely as possible. The Group is proposing to disrupt this process and that disruption will delay the demonstration of gas. The agitation by these shareholders and the issuing of the (invalid) notice have already diverted time and resources of the Company in dealing with this Group.

I am not the only shareholder who questions why the Group would alter the composition of the Board that has raised the funds required (subject to shareholder approval of Tranche 3) to deliver the PCD facility. At all times your Board has acted in the best interests of all shareholders and not just the perceived self-interest of a particular group of shareholders.

The work that the Board and management have previously undertaken, as set out in previous ASX announcements, has enabled the Company to become fully funded (subject to shareholder approval of Tranche 3) and as announced this week the contracting for long lead items for the PCD facility has already commenced. It is beyond me why any group of shareholders would want to change the composition of the Board and jeopardise the demonstration of gas as soon as possible.

The Board appreciates the support of the vast majority of shareholders and we look forward to updating you over the next few months on our progress with the PCD facility.

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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, natural gas 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.

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