



Leigh Creek Energy Limited
ACN 107 531 822

Interim Financial Report

31 December 2015

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LEIGH CREEK ENERGY LIMITED
ACN 107 531 822
AND CONTROLLED ENTITY

DIRECTORS' REPORT

The directors present their report on Leigh Creek Energy Limited for the half year ended 31 December 2015 and the state of the affairs of the Company at that date.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

Persons who have been Directors in the Company during or since the end of the half year are:

Justyn Peters
Executive Chairman
Appointed 28 November 2014

David Shearwood
Managing Director
Appointed 27 May 2015

Greg English
Director (Non-executive)
Appointed 22 September 2015

Peter Williams
Director (Non-executive)
Appointed 21 May 2004 – Resigned 15 October 2015

Christopher Schacht
Director (Non-executive)
Appointed 23 January 2008 – Resigned 30 October 2015

Secretary

Jordan Mehrtens
Appointed 16 September 2015

Stuart Appleyard LLB
Appointed 28 January 2004 – Resigned 16 September 2015

Review of Operations

During the half-year ended 31 December 2015 the Company incurred a loss of \$2,079,268.

The Company changed its name from Marathon Resources Limited to Leigh Creek Energy Limited following approval from shareholders at a General Meeting held on 28 August 2015. Registration of the change of name was effected by the Australian Securities and Investments Commission (ASIC) on 31 August 2015. For the purposes of the Company's ASX listing, the new code for Leigh Creek Energy Limited is LCK with effect from 3 September 2015.

During the reporting period the Company continued to work towards progressing its Leigh Creek Energy Project (LCEP). The LCEP is focused on generating significant new energy sources by producing gas supplies from the vast Leigh Creek coal reserves via In-Situ Gasification. During the half year to 31 December 2015, the Company announced a number of important technical achievements, such as the acquisition of significant data which led to an independent coal resource estimate to be conducted and reported in accordance with the JORC Code 2012 edition.

LEIGH CREEK ENERGY LIMITED
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Review of Operations (contd)

MATTERS SUBSEQUENT TO END OF THE HALF YEAR

On 8 January 2016, the Company was pleased to announce the achievement of ISG Gas Resources at the LCEP, independently assessed and certified and reported in accordance with the Society of Petroleum Engineers – Petroleum Resources Management System.

Subsequent to report period, the Company has received \$1,719,631 from the sale of the remaining 6,763,802 treasury shares.

There are no other known events subsequent to the reporting date that would have a material effect on the financial statements.

AUDITOR'S INDEPENDENCE

The auditor's independence declaration is included on page 5 of this interim financial report.



David Shearwood
Director



D J D Peters
Director

Dated in Adelaide, South Australia this 29th day of February 2016.

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67 Greenhill Rd
Wayville SA 5034


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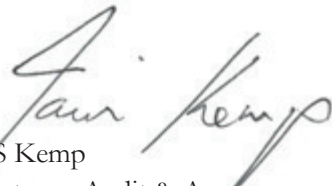
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF LEIGH CREEK ENERGY LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Leigh Creek Energy Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I.S. Kemp
Partner - Audit & Assurance

Adelaide, 29 February 2016

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LEIGH CREEK ENERGY LIMITED
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STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	31 December 2015	31 December 2014
Revenue			
Interest Income		3,362	2,692
Expenses			
Depreciation		(22,393)	-
Employee Benefit Expenses		(1,191,827)	-
Occupancy		(53,114)	-
Share Based Expenses		(145,515)	-
Consulting & Legal		(82,026)	-
Travel Expenses		(95,197)	-
ASX Listing & Registry Exp		(33,641)	-
Corporate Admin		(458,917)	(222,424)
(Loss) before income tax		(2,079,268)	(219,732)
Income Tax Expense		-	-
(Loss) for the period after tax expense		(2,079,268)	(219,732)
Other comprehensive income for the period		-	-
Total comprehensive income for the period		(2,079,268)	(219,732)
Earnings per share			
Basic (cents per share)	2	(0.01)	N/A
Diluted (cents per share)	2	(0.01)	N/A

LEIGH CREEK ENERGY LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31 December 2015	30 June 2015
CURRENT ASSETS			
Cash and cash equivalents		877,705	1,484,627
Trade and other receivables		259,854	101,618
Financial assets		18,680	18,680
TOTAL CURRENT ASSETS		1,156,239	1,604,925
NON-CURRENT ASSETS			
Property, plant and equipment		72,059	78,570
Exploration and evaluation expenditure	3	1,244,828	710,667
TOTAL NON-CURRENT ASSETS		1,316,887	789,237
TOTAL ASSETS		2,473,126	2,394,162
CURRENT LIABILITIES			
Trade and other payables		837,330	358,270
Short term provisions		-	125,438
Employee entitlements		44,708	20,803
TOTAL CURRENT LIABILITIES		882,038	504,511
NET ASSETS		1,591,088	1,889,651
EQUITY			
Issued capital	4	21,128,543	19,493,353
Reserves		145,515	-
Accumulated losses		(19,682,970)	(17,603,702)
TOTAL EQUITY		1,591,088	1,889,651

LEIGH CREEK ENERGY LIMITED
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STATEMENT OF CHANGE IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Issued Capital	Accumulated Losses	Share Option Reserve	Total
Balance at 1 July 2015	19,493,353	(17,603,702)	-	1,889,651
Shares issued during the period	1,706,690	-	-	1,706,690
Issue costs	(71,500)	-	-	(71,500)
Fair value of options issued	-	-	145,515	145,515
Transactions with owners	1,635,190	-	145,515	1,780,705
Total profit or loss	-	(2,079,268)	-	(2,079,268)
Total other comprehensive income	-	-	-	-
Balance at 31 December 2015	21,128,543	(19,682,970)	145,515	1,591,088
Balance at 1 July 2014	3,841	(5,555)	-	(1,714)
Shares issued during the period	1,777,600	-	-	1,777,600
Issue costs	(174,637)	-	-	(174,637)
Transactions with owners	1,602,963	-	-	1,602,963
Total profit or loss	-	(219,732)	-	(219,732)
Total other comprehensive income	-	-	-	-
Balance at 31 December 2014	1,606,804	(225,287)	-	1,381,517

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STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	31 December 2015	31 December 2014
Cash Flows from operating activities		
Interest and sundry income received	3,362	2,692
Payments to suppliers and employees	(1,585,875)	(20,430)
Net cash provided by / (used in) operating activities	(1,582,513)	(17,738)
Cash flow from investing activities		
Payments for purchase of Marathon shares	-	(685,002)
Payments for capitalised exploration expenditure	(534,161)	(579,902)
Net cash provided by / (used in) investing activities	(534,161)	(1,264,904)
Cash flow from financing activities		
Payments for capital raising costs	(71,500)	(174,637)
Proceeds from issue of share capital	1,706,690	1,696,000
Proceeds from receipt of loan	-	13,000
Repayment of borrowings	(125,438)	-
Repayment of loan	-	(1,720)
Net cash provided by / (used in) financing activities	1,509,752	1,532,643
Net (decrease) / increase in cash held	(606,922)	250,001
Cash at beginning of half year	1,484,627	6
Cash at end of half year	877,705	250,007

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of operations

Leigh Creek Energy Limited's principal activity is mineral, energy and coal exploration.

b) General information and basis of preparation

The interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2015 and are presented in Australian dollars(\$), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with AIFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2015 and any public announcements made by the Group during the half-year in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001. The Company is a for profit entity for the purposes of preparing its financial statements.

The interim financial statements have been approved and authorised for issue by the board of directors on 26 February 2016.

c) Significant accounting Policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2015.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

d) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends of economic data, obtained both externally and within the Group.

i) Key estimates- impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

ii) Key judgements – exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

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NOTE 2 – EARNINGS PER SHARE

	31 December 2015 \$	31 December 2014 \$
Basic earnings per share – cents per share	(0.01)	N/A
Loss for the period	(2,079,268)	N/A
Weighted average number of ordinary shares in calculating the EPS	217,094,351	N/A

The weighted number of share options on issue during the year is not included in the calculation of diluted earnings per share because they are anti-dilutive for both reported years. These options could potentially dilute basic earnings per share in the future.

NOTE 3 – EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2015 \$	30 June 2015 \$
Project development & exploration costs	1,244,828	710,667
	<u>1,244,828</u>	<u>710,667</u>

The Company's interests in tenements at the date of this report are as follows:

Tenement	Location	Interest
PEL 650	Leigh Creek	100%
PELA 582	Finniss Springs	100%
PELA 643	Callabonna	100%
PELA 647	Leigh Creek	100%
PELA 644	Roxby Downs	100%
PELA 649	Oakdale	100%
EL 5596	Leigh Creek	100%
EL 5597	Leigh Creek	100%

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NOTE 4 – ISSUED CAPITAL

	31 December 2015	
	Number	\$
Outstanding at beginning of period	215,539,472	19,493,353
Treasury shares sold during the period	8,236,198	1,706,690
Less capital raising costs	-	(71,500)
Balance at end of period	<u>223,775,670</u>	<u>21,128,543</u>

	30 June 2015	
	Number	\$
Outstanding at beginning of period	138,331,683	1,609,241
Deemed acquisition of ARP TriEnergy	92,207,789	18,441,557
Less treasury shares held	(15,000,000)	(557,445)
Balance at end of period	<u>215,539,472</u>	<u>19,493,353</u>

NOTE 5 – RESERVES

Listed below is a summary of options issued during the period:

	31 December 2015 \$
Balance at 1 July 2015	-
Issue of options during the period	145,515
Balance at 31 December 2015	<u>145,515</u>

During the 6 months to December 2015, 14,250,000 Options were issued to employees and directors under their employment contracts and 2,000,000 Options issued to Mr Peter Williams.

NOTE 6 – SEGMENT INFORMATION

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and has concluded at this time that there are no separately identifiable segments.

NOTE 7 – SUBSEQUENT EVENTS

On 8 January 2016, the Company was pleased to announce the achievement of ISG Gas Resources at the LCEP, independently assessed and certified and reported in accordance with the Society of Petroleum Engineers – Petroleum Resources Management System.

Subsequent to report period, the Company has received \$1,719,631 from the sale of the remaining 6,763,802 treasury shares.

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The Directors declare that:

In the opinion of the directors of the company:

1. The financial statements and notes, as set out on pages 6 to 12, are in accordance with the Corporations Act 2001 including:
 - (a) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001; and
 - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



David Shearwood
Director



D J D Peters
Director

Dated in Adelaide, South Australia this 29th day of February 2016.

Leigh Creek Energy Limited
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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LEIGH CREEK ENERGY LIMITED

We have reviewed the accompanying half-year financial report of Leigh Creek Energy Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Leigh Creek Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Leigh Creek Energy Limited consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations

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Regulations 2001. As the auditor of Leigh Creek Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

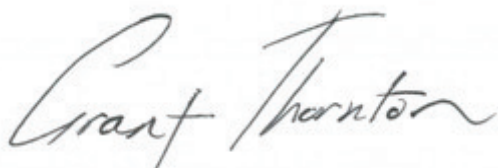
Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

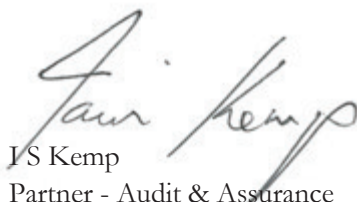
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Leigh Creek Energy Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



JS Kemp
Partner - Audit & Assurance

Adelaide, 29 February 2016

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