



Leigh Creek Energy Limited
ACN 107 531 822

Interim Financial Report

31 December 2016

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LEIGH CREEK ENERGY LIMITED
ACN 107 531 822

DIRECTORS' REPORT

The Directors of Leigh Creek Energy Limited (or '**Leigh Creek Energy**') present their Report together with the financial statements of the Consolidated Entity, being Leigh Creek Energy Limited ('the **Company**') and its Controlled Entities ('the **Group**') for the half-year ended 31 December 2016.

Director details

The following persons were Directors of Leigh Creek Energy during or since the end of the financial half-year:

- Daniel Justyn Peters
- Gregory English
- Murray Chatfield
- David Shearwood (resigned 30 September 2016)

Review of operations and financial results

The consolidated operating loss for the half-year to 31 December 2016 was \$3,100,615 (2015: (\$2,079,268)). Expenditure incurred on the Leigh Creek Energy Project (LCEP) capitalised as Exploration expenditure, net of the 2015/16 R&D tax offset received (\$790,684) and R&D rebates receivable for 2016/17 (\$1,299,913), was \$1,508,580 (2015: \$534,161).

In July 2016, the Company commenced the drilling program for the LCEP. The program provides important data regarding environmental and groundwater properties, required for regulatory approvals of the demonstration, as well as rock formation and geotechnical information. The approvals component of this drilling program is targeted for completion in early 2017. The Company continues to progress towards the regulatory approval and subsequent operation of the pre-commercial demonstration at the LCEP scheduled to be completed in 2017. In the context of the current and forecast gas and electricity markets, it is anticipated that the Company will then become an attractive business partner.

During the period the Company completed an internal restructure. Staff reductions of approximately 20% of headcount were implemented which will lead to an annual saving of in excess of \$1m.

After reporting date events

In February 2017 the Company established a \$4.0m Research and Development Working Capital Facility ("the Facility") with the Commonwealth Bank of Australia ("CBA"). The 12 month secured Facility with the CBA effectively allows the Company to bring forward access to refundable tax offsets, which can be drawn down after related eligible R&D expenditure is incurred and validated by the Company's R&D advisors in accordance with the prescribed ATO guidelines. Under the terms of the facility the CBA will be repaid from the proceeds of the Company's taxation return rebate. At the time of issue of this report the Facility is undrawn.

LEIGH CREEK ENERGY LIMITED
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A copy of the Auditor's Independence Declaration as required under s307c of the Corporations Act 2001 is included on page 3 of this financial report and forms part of this Director's Report.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'DJ Peters', is written over a light blue rectangular background.

D J Peters - Director

Dated at Adelaide, South Australia this 10th day of March 2017

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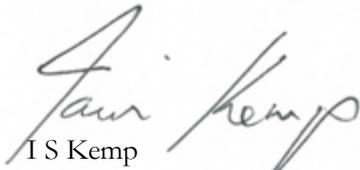
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF LEIGH CREEK ENERGY LIMITED**

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 2016, 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, 10 March 2017

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LEIGH CREEK ENERGY LIMITED
ACN 107 531 822
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | Notes | Consolidated | |
|--|-------|--------------------|--------------------|
| | | 31 December 2016 | 31 December 2015 |
| | | \$ | \$ |
| Revenue | | 56,707 | 3,362 |
| Depreciation | | (14,073) | (22,393) |
| Employee benefits expense | | (1,695,823) | (1,337,342) |
| Administrative costs | | (1,447,426) | (722,895) |
| (Loss) before income tax | | (3,100,615) | (2,079,268) |
| Income tax benefit | | - | - |
| (Loss) for the year after income tax | | (3,100,615) | (2,079,268) |
| Total other comprehensive income | | - | - |
| Total comprehensive (loss) for the year | | (3,100,615) | (2,079,268) |
| Earnings per share | | | |
| Basic (cents per share) | 6 | (0.01) | (0.01) |
| Diluted (cents per share) | 6 | (0.01) | (0.01) |

The accompanying notes form part of these financial statements.

LEIGH CREEK ENERGY LIMITED
ACN 107 531 822
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

| | | Consolidated | |
|--|-------|------------------------|--------------------|
| | Notes | 31 December 2016 \$ | 30 June 2016 \$ |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | | 2,999,044 | 8,737,946 |
| Trade and Other Receivables | | 1,607,988 | 259,887 |
| Other Financial Assets | | 26,885 | 16,031 |
| Total Current Assets | | 4,633,917 | 9,013,864 |
| NON-CURRENT ASSETS | | | |
| Property, Plant and Equipment | | 158,832 | 112,940 |
| Exploration and Evaluation Expenditure | 7 | 3,959,060 | 2,450,480 |
| Total Non-Current Assets | | 4,117,892 | 2,563,420 |
| TOTAL ASSETS | | 8,751,809 | 11,577,284 |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | | 1,021,094 | 665,711 |
| Employee Entitlements | | 181,577 | 124,519 |
| Total Current Liabilities | | 1,202,671 | 790,230 |
| NET ASSETS | | 7,549,138 | 10,787,054 |
| EQUITY | | | |
| Share Capital | 8 | 32,361,720 | 32,361,720 |
| Reserves | | 1,257,983 | 1,395,284 |
| Retained Losses | | (26,070,565) | (22,969,950) |
| TOTAL EQUITY | | 7,549,138 | 10,787,054 |

The accompanying notes form part of these financial statements.

LEIGH CREEK ENERGY LIMITED
ACN 107 531 822
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | SHARE CAPITAL \$ | RETAINED LOSSES \$ | SHARE OPTION RESERVE \$ | TOTAL \$ |
|--|---------------------|--------------------------|-------------------------------|--------------------|
| Consolidated | | | | |
| BALANCE 1 July 2016 | 32,361,720 | (22,969,950) | 1,395,284 | 10,787,054 |
| <u>Total comprehensive income</u> | | | | |
| Total profit or (loss) | - | (3,100,615) | - | (3,100,615) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | (3,100,615) | - | (3,100,615) |
| <u>Transactions with members in their capacity as owners:</u> | | | | |
| Subscribed equity net of capital raising costs | - | - | - | - |
| Employee share-based payment options | - | - | (137,301) | (137,301) |
| Total transactions with owners | - | - | (137,301) | (137,301) |
| BALANCE AT 31 December 2016 | 32,361,720 | (26,070,565) | 1,257,983 | 7,549,138 |

| | SHARE CAPITAL \$ | RETAINED LOSSES \$ | SHARE OPTION RESERVE \$ | TOTAL \$ |
|--|---------------------|--------------------------|-------------------------------|--------------------|
| Consolidated | | | | |
| BALANCE 1 July 2015 | 19,493,353 | (17,603,702) | - | 1,889,651 |
| <u>Total comprehensive income</u> | | | | |
| Total profit or (loss) | - | (2,079,268) | - | (2,079,268) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 19,493,353 | (19,682,970) | - | (189,617) |
| <u>Transactions with members in their capacity as owners:</u> | | | | |
| Subscribed equity net of capital raising costs | 1,635,190 | - | - | 1,635,190 |
| Employee share-based payment options | - | - | 145,515 | 145,515 |
| Total transactions with owners | 1,635,190 | - | 145,515 | 1,780,705 |
| BALANCE AT 31 December 2015 | 21,128,543 | (19,682,970) | 145,515 | 1,591,088 |

The accompanying notes form part of these financial statements.

LEIGH CREEK ENERGY LIMITED
ACN 107 531 822
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | Notes | Consolidated | |
|--|-------|--------------------|--------------------|
| | | 31 December 2016 | 31 December 2015 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Sundry income received | | 20,000 | - |
| Payments to suppliers and employees | | (2,913,742) | (1,585,875) |
| Tax refunds | | 790,684 | - |
| Interest received | | 22,528 | 3,362 |
| Interest paid | | (2,556) | - |
| Net cash (used in) / provided by operating activities | | (2,083,086) | (1,582,513) |
| Cash flows from investing activities | | | |
| Purchase of property, plant & equipment | | (58,573) | - |
| Proceeds from disposal of assets | | 1,932 | - |
| Capitalised exploration costs | | (3,599,175) | (534,161) |
| Net cash (used in) investing activities | | (3,655,816) | (534,161) |
| Cash flow from financing activities | | | |
| Issue of shares | | - | 1,706,690 |
| Share issue transaction costs | | - | (71,500) |
| Advances/(Repayments) from related parties | | - | (125,438) |
| Net cash provided by financing activities | | - | 1,509,752 |
| Net (decrease) in cash held | | (5,738,902) | (606,922) |
| Cash at the beginning of the year | | 8,737,946 | 1,484,627 |
| Cash at the end of the period | | 2,999,044 | 877,705 |

The accompanying notes form part of these financial statements.

LEIGH CREEK ENERGY LIMITED
ACN 107 531 82
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. Nature of operations

The principal activity of the Group is advancing the development of its Leigh Creek Energy Project.

2. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2016 and are presented in Australian Dollar (\$AUD), 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 Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim consolidated financial statements have been approved and authorised for issue by the Board of Directors on 10th of March 2017.

3. 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 2016.

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

4. Accounting estimates and judgements

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2016.

5. Significant events and transactions

As detailed in the Directors' Report, the Company has established a \$4.0m Research and Development Working Capital Facility with the Commonwealth Bank of Australia. At the time of issue of this report the Facility is undrawn.

LEIGH CREEK ENERGY LIMITED
ACN 107 531 82
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

6. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Company as the numerator, ie no adjustments to profits were necessary during the six (6) months period to 31 December 2016 and 31 December 2015.

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

| | Six months to 31 December 2016 | Six months to 31 December 2015 |
|--|---|---|
| | No of shares | No of shares |
| Weighted average number of shares used in basic EPS | 265,894,441 | 217,082,192 |
| Shares deemed to be issued for no consideration in respect of share based payments | 24,745,000 | 12,250,000 |
| Listed options issued for no consideration | 17,687,463 | - |
| Weighted average number of shares used in diluted earnings per share | 308,326,904 | 229,332,192 |

7. Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that right of tenure is current and those costs are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and operations in relation to the area are continuing.

During the year the Company applied for R&D Tax Incentives through AusIndustry in relation to eligible research expenditure incurred during 2015/16 for the Leigh Creek Energy Project. The tax incentive is provided as a refundable tax credit and has been credited to Exploration and Evaluation capitalised expenditure (\$790,684). Additionally, the Company has booked a receivable (\$1,299,913) in relation to eligible R&D expenditure for the half year to 31 December 2016 which has been reviewed externally to ensure it is in accordance with the Advance Finding criteria.

| | Consolidated | |
|---|---|---------------------------------|
| | Six months to 31 December 2016 | Year to 30 June 2016 |
| | \$ | \$ |
| Balance at opening | 2,450,480 | 710,667 |
| Licence fees | 3,599 | 5,631 |
| Costs capitalised for LCEP | | |
| External supplier costs | 2,332,364 | 931,486 |
| Internal labour capitalised | 935,035 | 759,054 |
| R&D tax concession rebate | (2,090,597) | (43,871) |
| Costs capitalised for Commercial Studies | | |
| External supplier costs | 103,528 | 87,513 |
| Internal labour capitalised | 224,651 | - |
| Total exploration and evaluation expenditure | 3,959,060 | 2,450,480 |

LEIGH CREEK ENERGY LIMITED
ACN 107 531 82
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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

| Tenement | Interest | Grant date | Location |
|---------------|-------------------|-------------------|-----------------|
| PEL 650 | 100% | 18 November 2014 | Leigh Creek |
| PELA 582 | 100% | Under application | Finniss Springs |
| PELA 643 | 100% | Under application | Callabonna |
| PELA 644 | 100% | Under application | Roxby Downs |
| PELA 647 | 100% | Under application | Leigh Creek |
| PELA 649 | 100% | Under application | Oakdale |
| GSEL 662 | 100% | 5 February 2016 | Leigh Creek |
| ELA 2016-0009 | Awaiting approval | | Leigh Creek |

8. Share capital

No shares were issued during the period.

| | Six months to 31 December 2016 \$ | Year to 30 June 2016 \$ |
|--|---|-------------------------------|
| Shares issued and fully paid: | | |
| Beginning of the period | 32,361,720 | 19,493,353 |
| Treasury stock sold | - | 3,426,321 |
| Share issue | - | 9,442,046 |
| Total shares authorised at the end of the period | 32,361,720 | 32,361,720 |

9. Events after the reporting date

In February 2017 the Company established a \$4.0m Research and Development Working Capital Facility ("the Facility") with the Commonwealth Bank of Australia ("CBA"). The 12 month secured Facility with the CBA effectively allows the Company to bring forward access to refundable tax offsets, which can be drawn down after related eligible R&D expenditure is incurred and validated by the Company's R&D advisors in accordance with the prescribed ATO guidelines. At the time of issue of this report the Facility is undrawn.

10. Going Concern

The interim financial report has been prepared on the basis of a going concern. During the six months ended 31 December 2016 the Group recorded a net cash outflow from operating and investing activities of \$5,738,902 and an operating loss of \$3,100,615.

The cash flow projections of the Group indicate that it will require additional capital for continued operations including future exploration and working capital.

If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the Group may have to cease project expenditure and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the interim financial report. No allowance for such circumstances has been made in the interim financial report.

LEIGH CREEK ENERGY LIMITED
ACN 107 531 82

DIRECTORS' DECLARATION

In the opinion of the Directors of Leigh Creek Energy Limited:

- a) The consolidated financial statements and notes of Leigh Creek Energy Limited are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of its financial position as at 31 December 2016 and of its performance of the Group for the half-year ended on that date; and
 - ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



D J Peters - Director

Dated at Adelaide, South Australia this 10th day of March 2017



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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 (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, 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 consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations 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.

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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 2016 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*.

Material Uncertainty related to Going Concern

We draw attention to Note 10 in the financial report which indicates that the consolidated entity incurred a net loss of \$3,100,615 during the half year ended 31 December 2016 and, as of that date, the consolidated entity's cash outflows from operating and investing activities equates to \$5,738,902. These conditions, along with other matters as set forth in Note 10, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in relation to this matter.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 10 March 2017

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