



24 July 2018

ASX ANNOUNCEMENT (ASX:LCK)

Quarterly report for the three months to 30 June 2018

Highlights

- ✓ **Approval of Statement of Environmental Objectives**
- ✓ **Construction of PCD and drilling of PCD Well Pair substantially complete**
- ✓ **Small Scale Power Option announced**
- ✓ **Successful Capital Raising and Share Purchase Plan completed**
- ✓ **Research and Development Facility extended**

Leigh Creek Energy Limited (“LCK”, or “the Company”) is pleased to provide its shareholders and the market with an update on the development of the Leigh Creek Energy Project (LCEP) in South Australia for the three months to 30 June 2018.

LCK is an emerging energy company focussed on developing its LCEP in northern South Australia. LCK has a certified PRMS 2C Syngas Resource of 2963.9 PJ (refer ASX announcement January 8, 2016).

Managing Director Commentary

Commenting on the quarterly progress, LCK Managing Director, Mr. Phil Staveley, said:

“LCK progressed significantly in this quarter to achieving its near-term goal of flowing first gas from the Leigh Creek Energy Project. After receiving the environmental approval, it quickly secured Activity Notification approval to commence drilling and construction activities on site, which are now substantively complete. All of these positive outcomes move LCK closer to being able to produce gas from its demonstration plant. Post PCD, LCK will progress with developing its plans to monetise this resource which represents the unlocking of a major energy resource in Australia.”

Approval of Statement of Environmental Objectives and Activity Notifications

The Company announced on 19 April 2018 that it had received approval of its Statement of Environmental Objectives (SEO) for the Company’s PCD stage of the LCEP. This constitutes the environmental approval for PCD operations and follows completion of the public consultation stage for the PCD.

In South Australia, petroleum exploration and production activities are regulated under the *Petroleum and Geothermal Energy Act 2000 (PGE)*, which states that regulated activities must have an approved SEO in place with which they comply, prepared on the basis of an Environmental Impact Report.

A three-stage approval process is outlined in the *PGE*:

Stage 1 – Licensing - complete

Stage 2 – Environmental Assessment and approval of Environmental Objectives (EIR and SEO) - complete

Stage 3 – Activity Notification (AN) - prior to commencing on-site works, LCK must submit three ANs to advise the Regulator of the specific activities that will be undertaken under the framework of the SEO.

Activity Notifications progress

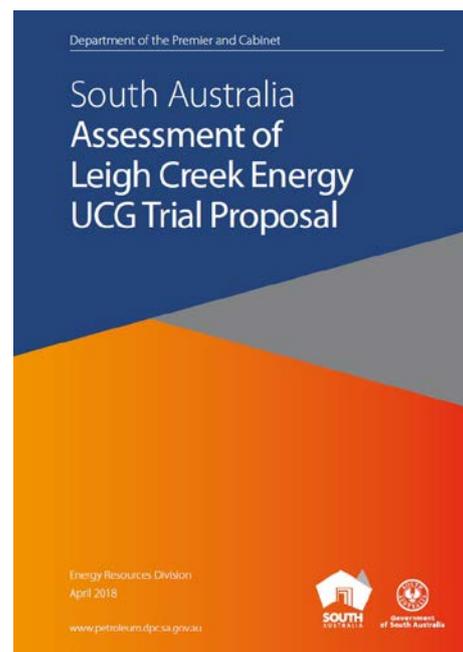
The LCEP ANs are for:

1. PCD Process well drilling – received 15 May 2018;
2. PCD Aboveground plant construction – received 29 May 2018; and
3. PCD Operations including operating, decommissioning and monitoring - pending.

In conjunction with providing the SEO approval, the South Australian government released its independent assessment of the project, “South Australia Assessment of Leigh Creek Energy UCG Trial Proposal (Report)”, in which it was advised by three internationally renowned subject matter experts.

The conclusions of the Report are that:

- the LCEP is “one of the strongest opportunities for low risk commercial UCG anywhere in the world”
- in relation to differentiating the LCEP from ISG projects in Queensland - “key factors ... (are) proper site selection and deployment of fit for purpose technology and monitoring ...” and “material differences related to site suitability, operational practices and ... regulatory oversight”
- “Vigilant oversight by the South Australia’s regulator and requirements for LCK to deploy good industry practices will combine to preclude any such repeat (*referring to other UCG projects in Queensland*) in LCK’s pilot UCG project”



Pre-Commercial Demonstration – on-site activities

As stated above, the key LCEP activities being undertaken on site are the PCD Process well drilling, PCD Aboveground plant construction, and upon receipt of the final Activity Notification approval, PCD Operations. As detailed further below, Process Well Drilling is yet to be completed, and Aboveground Plant Construction has been effectively completed.

PCD Process Well Drilling

We have made great progress on the completion of the Inlet Well, Observation Well and Outlet Well. The Outlet Well and Observation Wells have been completed and connected to the gas processing and monitoring plant (except last stage tie-ins).

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Drill rig installing Inlet Well with inlet compressor diesel tank



Drill rig installing Inlet Well – generator truck on left, rig with rod handler (red ramp)

The Inlet Well completed a successful connection with the Outlet Well. However, on removing the MWD tool it became apparent that the structure of the coal was not holding up behind the drill head. As a result we decided to re-drill the hole with the intention of casing the hole. At this time we are cleaning out the drill line in order to case the hole to ensure the structural integrity of the drill hole. This drilling complication is not time critical with LCK still being on target for gasification in the 3rd quarter. We will update the market on the progress of the drilling and casing of the Inlet Well.

PCD Construction

The construction and operation of the PCD facility is a major de-risking event for LCK and a significant step toward commercialisation plans for the LCEP. The on-site construction of the PCD is effectively complete. The PCD will:

1. Demonstrate the production of syngas from LCK's gasification technology at Leigh Creek;
2. Demonstrate that LCK can operate the ISG gasifier safely and in an environmentally responsible manner;
3. Deliver the economic parameters for final design and planning of the commercial plant; and
4. Provide environmental and process data required for commercial scale approvals; and
5. Provide the information required for the review of the existing SPE-PRMS 2C 2963.9 PJ resource and the expected partial conversion from contingent resources to reserves (refer ASX announcement 8 January 2016).

Following completion of the AN process, LCK will operate the PCD for 60 – 90 days.

The following photography and captions for each provides some detail around the PCD site which has been constructed at Leigh Creek.



PCD Site



Thermal Oxidiser (processes Syngas and water from Separator Vessel)



Hydraulic pressure testing of pipe infrastructure



Outlet Well Head, ready for final connection to gas plant.
Thermocouple cables at bottom ready for connection to instrumentation



Knock Out Pot (a cyclone that collects and separates water and impurities from Syngas)



Separator vessel (stores water and impurities from Knock Out Pot)



Gas Analyser



PCD gas skid with valves, instruments and piping

Small Scale Power Option

The Company is developing plans to generate electricity from a small gas fired power station ahead of its full-scale commercial project.

This small-scale project will enable the larger scale project stage by providing the following benefits:

1. Manageable project size;
2. Low CAPEX;
3. Low operational risk;
4. Simple design;
5. No redundant capital - power plant is used for large-scale project;
6. Minimal offsite infrastructure required;
7. Early cash flow; and
8. Commercial stepping stone, proof of commerciality on path to large scale project.

Information provided by operating the PCD under different parameters will inform the design of this phase of the LCEP.

Successful Capital Raising completed

The Company successfully completed an approximately \$8.8m capital raising (before costs) by way of a private placement of approximately 55m new fully paid ordinary shares in the Company (Shares) to institutional, sophisticated and professional investors at an average issue price of A\$0.16 per Share (Placement). CCZ Equities acted as Lead Manager and Bookrunner to the Placement.

In conjunction with the Placement, the Company offered shareholders the opportunity to participate in a Share Purchase Plan (SPP) of up to 18,750,000 Shares. The SPP was launched on 25 June 2018 and gave shareholders the opportunity to purchase up to \$15,000 of Shares at a price of \$0.16 each. The SPP allowed shareholders to participate in the Company's capital raising program at an important stage in the Company development and at the same price as the recent successful Placement without incurring any brokerage fees or other transaction costs.

China New Energy Group Limited (CNE) agreed that subject to shareholder approval (at a General Meeting the Company will hold on the 22nd of August 2018), it would participate in the Placement to maintain up to its 32.78% existing shareholding. The Company will be seeking shareholder approval for the issue of shares to CNE to return up to their 32.78% existing shareholding, rather than remain diluted from the Placement and the SPP.

Proceeds of the Placement and SPP will enable the Company to advance toward significant near-term milestones including:

1. Operational costs associated with LCK's Pre-Commercial Demonstration stage of its flagship Leigh Creek Energy Project;
2. Completion of Feasibility Study for LCK's small scale power plant;
3. Drilling program associated with geological assessment of LCK's small scale power plant; and
4. General working capital.

Events subsequent to quarter end

The Company closed its Share Purchase Plan on 13 July 2018. SPP applications were received from 264 shareholders for a total of \$1,521,600. These funds are in addition to the approximately \$8.8m (before fees) raised via the Placement.

A total of 9,510,000 new ordinary shares were issued to participating shareholders under the SPP on 20 July 2018. The Company reserves the right to place the unsubscribed balance of the SPP through a shortfall facility.

Research and Development Facility extended

LCK obtained an Advance Finding from AusIndustry that confirms the PCD will be eligible for Research and Development concessions. The Advance Finding covers the period of the 2015/16 income year and the following two income years.

The Company announced on 7 February 2017, that it had secured a 12-month Research and Development Working Capital Facility (Facility) with the Commonwealth Bank of Australia (CBA), associated with its expenditure on the PCD. This provided LCK with the flexibility to bring forward its tax offsets by providing a draw down on eligible expenditure and for CBA to be repaid from the company's taxation return rebate. In

August 2017 LCK extended the Facility to April 2019 with an increased limit of \$6.5 million, which aligned with forecast eligible Research and Development expenditure for the 2017/18 fiscal year.

During the period the Company agreed a further extension and increase in the Facility limit with the CBA. The term of the Facility is extended until December 2019 and the facility limit increased to \$10.5m. Following receipt of the 2017/18 ATO rebate and clean down of the Facility the limit will decrease to \$3.6m to match anticipated 2018/19 tax rebates. The extended Facility became effective on 16 July 2018.

Actively Promoting the Company

LCK is committed to growing the Company and promoting the Company and its activities to retail and institutional investors, financial advisers, stockbrokers and investor associations across Australia. In the coming quarter, the Company will be presenting at the following Conferences:

1. July 30-31, September 1 – Annual Australian Investors Association Conference, Gold Coast
2. July 30-31 - South Australian Resources & Energy Investment Conference, Adelaide
3. August 15, Australian Shareholder’s Association Conference, Adelaide
4. August 28-30, Global Maintenance Upper Spencer Gulf Conference, Pt Augusta
5. September 4, Australian Shareholder’s Association Conference, Perth
6. September 12-13, RUI Good Oil Conference, Perth
7. September 25, RUI Investor Roadshow, Sydney
8. September 27, RUI Investor Roadshow, Melbourne

Information regarding attendances at any of these events is available from Tony Lawry, Corporate and Investor Relations, at: tony.lawry@lcke.com.au

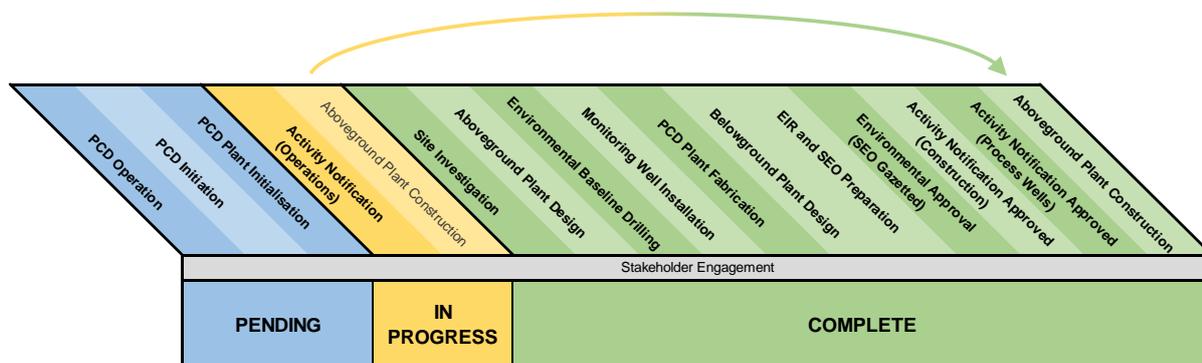
Finance

As at 30 June, the company’s total cash balance was \$9.3m with total debt drawn of \$3.8m under the CBA R&D working capital debt facility. A summary of the actual cash flows for the quarter are attached in the Appendix 5B, along with forecast expected cash outflows of \$9.3m for the September quarter. Forecast cash receipts from financing activities for the September quarter include:

- The \$1.5m received in July on completion of the SPP;
- Proceeds from the proposed placements of SPP shortfall shares;
- Proceeds from the proposed placement to CNE (subject to shareholder approval); and
- A substantial draw-down under the extended CBA debt Facility.

PCD Progress Summary

The driving focus of the LCK Operations team is towards ‘flaring’ of demonstration gas. Current and expected progress is represented in the following graphic:



Tenements

As of 30 June 2018, LCK had a 100% interest in the licences listed below, all in South Australia, through LCK's wholly owned subsidiary Leigh Creek Operations Pty Ltd:

- Petroleum Exploration Licence 650;
- Gas Storage Exploration Licence 662.

Leigh Creek Operations Pty Ltd also has the following licence applications in progress:

- Petroleum Exploration Licence Application 582;
- Petroleum Exploration Licence Application 643;
- Petroleum Exploration Licence Application 644;
- Petroleum Exploration Licence Application 647;
- Petroleum Exploration Licence Application 649; and
- Minerals Exploration Licence Application 2017/00197.

Leigh Creek Energy – bringing reliable energy to South Australia

For further information contact:

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About Leigh Creek Energy

Leigh Creek Energy Limited (LCK) is an emerging energy 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 (synthetic natural gas) and ammonium nitrate products (fertiliser and industrial explosives) from the remnant coal resources at Leigh Creek, utilising In Situ Gasification (ISG) technologies, and will provide long term stability and economic development opportunities to the communities of the Upper Spencer Gulf, 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.

LCK acknowledges and respects the Adnyamathanha people, the Traditional Owners of the land on which its operations occur and pays its respects to their Elders past and present.

Resource Compliance Statement

The information in this announcement that relates to the 2C Contingent Syngas Resource was detailed in an announcement lodged with ASX on 8 January 2016 and is available to view at www.lcke.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. All estimates are based on the deterministic method for estimation of petroleum resources.

Forward Looking Statements

This announcement may contain forward looking statements. Forward-looking statements include, but are not limited to, statements concerning the Company's planned mining and exploration programs and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements.

In addition, estimates of resources could also be forward-looking statements. Although the Company believes that its expectations reflected in these statements are reasonable, they may be affected by a variety of changes in underlying assumptions which could cause actual results or trends to differ, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates amongst other items, and the cumulative impact of items.

For a more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Company's other filings. Readers should not place undue reliance on forward looking information. The Company does not undertake any obligation to release publicly any revisions to any forward –looking statement to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

LEIGH CREEK ENERGY LIMITED

ABN

31 107 531 822

Quarter ended ("current quarter")

June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(4,843)	(15,414)
(b) development		
(c) production		
(d) staff costs	(640)	(2,525)
(e) administration and corporate costs	(755)	(3,020)
1.3 Dividends received (see note 3)		
1.4 Interest received	19	181
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		2,173
1.8 Other (provide details if material)		55
1.9 Net cash from / (used in) operating activities	(6,219)	(18,550)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(21)	(110)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(21)	(110)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	5,899	18,431
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(393)	(1,173)
3.5	Proceeds from borrowings	1,600	4,170
3.6	Repayment of borrowings		(1,950)
3.7	Transaction costs related to loans and borrowings	(105)	(241)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	7,001	19,237
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,563	8,747
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,219)	(18,550)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(21)	(110)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,001	19,237
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	9,324	9,324

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,088	340
5.2 Call deposits	771	477
5.3 Bank overdrafts		
5.4 Other (Term deposits)	7,465	7,746
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,324	8,563

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

333

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

37

Piper Alderman lawyers were paid for legal services rendered to the Group. Non-Executive Director Greg English is a partner at Piper Alderman lawyers.

Investment Company Services Pty Ltd were paid for investor relations advisory services rendered to the Group. Mr Boyd Peters, Managing Director of this company, is a related party of Mr Justyn Peters, Executive Chairman.

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	6,500	3,830
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Secured R&D working capital facility with Commonwealth Bank of Australia. Facility limit increased to \$10.5m from mid-July 2018 and the term of the facility term extended until December 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	7,421
9.2 Development	
9.3 Production	
9.4 Staff costs	837
9.5 Administration and corporate costs	829
9.6 Other (Interest Expense)	188
9.7 Total estimated cash outflows	9,275

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date: 24 July 2018

Print name:

Jordan Mehrtens

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.