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LEIGH CREEK ENERGY

ANNUAL REPORT 2017



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Leigh Creek Energy would like to acknowledge the Adnyamathanha people, the traditional owners of the land on which we operate and pay our respects to their Elders past and present and extend that respect to other Aboriginal and Torres Strait Islander people.

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Right market, right time, right place

The Leigh Creek Energy Project

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Leigh Creek Energy (LCK) is the owner and proposed operator of the Leigh Creek Energy Project (LCEP), located at Leigh Creek in South Australia, 550 km north of Adelaide. The project is located on Petroleum Exploration Licence 650 (PEL 650), which contains the Leigh Creek Coalfield, and will develop the deep coal resources that are unable to be accessed by open-cut mining through in situ gasification (ISG).

The ISG process converts coal from its solid state into a gaseous form, resulting in the production of synthesis gas (syngas) containing methane, hydrogen and carbon monoxide. The syngas can either be used to produce electricity directly or further refined into a variety of products including natural gas, ammonia, urea, or methanol.

LCK's pathway to development of the LCEP comprises the following stages, with each stage requiring careful planning and engineering, in addition to the necessary regulatory assessments and approvals:

- Characterisation Phase – This will determine the environmental, geological, geotechnical and hydrogeological perspectives of the site for a low risk ISG project.
- Demonstration Phase – Through a Pre-Commercial Demonstration Facility (PCD) we will demonstrate ISG at the LCEP using a low cost rapid deployment technique. This will provide environmental and gas quality data to inform regulators and determine commercial project design and feasibility study direction.
- Commercial Phase - Conduct engineering design and feasibility studies to support the selected commercial deployment of ISG at the LCEP. LCK intends to use existing technologies and develop enhanced techniques for our specific location and geology.

The PCD is planned to be operational for approximately 2-3 months, during which time it will obtain process and environmental data of importance for the commercial

phase of the project. The demonstration phase involves establishment of an underground single-cavity gasifier and aboveground infrastructure on a small footprint to produce syngas. This will allow us to confirm the composition and performance of the process while gathering environmental data to support the commercial plant approvals process.

LCK is committed to developing the LCEP using a best practice approach to mitigate the technical, environmental, and financial project risks.



LCK's commitment to engaging with our project stakeholders is central to the success of developing strong community partnerships.

Leigh Creek Coalfield — ideal for ISG



The Resource

LEIGH CREEK ENERGY LIMITED ANNUAL REPORT 2017

LCK has announced an Inferred Coal Resource of 377 Million Tonnes (Mt) at the LCEP reported in accordance with the JORC Code (2012). Coal samples were taken from the LCEP target coal seams, analysed and modelled for expected gas composition from ISG, which showed that the Leigh Creek coal was capable of producing ISG Syngas at the rate of 15.2 GJ of syngas per tonne of coal gasified. This information underpinned an initial ISG Syngas Resource of 2,963.9 Petajoules (PJ) (2C) at the LCEP. The Syngas Resource was independently assessed and certified in accordance with the Society of Petroleum Engineers – Petroleum Resources Management System (PRMS).



The Leigh Creek Energy Project (LCEP) is located near major energy consumers as well as the metropolitan demand centre in Adelaide.

Coal Resource: JORC 2012: 377 million tonnes inferred.

Syngas resource: SPE-PRMS: 2,964 PJ 2C.

| Category | 1C | 2C | 3C |
|----------------------|---------|---------|---------|
| Syngas Resource (PJ) | 2,747.7 | 2,963.9 | 3,303.1 |

- Resources will likely convert from 2C to 2P Reserves once gas demonstration is completed in 2017.
- Options include power production and/or natural gas production.
- Offering 25-50 years of production, depending on production profile.
- In the whole of Australia, the Economically Demonstrated Resources (EDR) total is 113,193 PJ¹

¹ Source: ABS, Australian System of National Accounts, 30 June 2016.

Ideal Location with existing infrastructure

- Remote from major populations
- Self-contained groundwater system
- Power transmission lines
- Sealed road, airport, rail, water
- Major gas pipeline 125km away
- Township of Leigh Creek



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This year has proved to be a very interesting and productive year that has not been without its challenges. The dedicated team at LCK continued to forge ahead with our fundamental goal of demonstrating gas flows at the Leigh Creek Energy Project (LCEP). Work completed in the past 12 months has enabled the likelihood of making this a reality, with the Pre-Commercial Demonstration Facility (PCD) now fully funded (subject to shareholder's approval). The completion of the PCD campaign will bolster the case for a commercial facility with the potential to bring much needed energy reliability and security to South Australia.

Throughout the year our people continued to make a difference in our operations and with the departure of our Managing Director we took the opportunity to restructure the Company for the betterment of our shareholders. The Executive team took shape with Phil Staveley as CEO, Mark Terry as CFO and Justin Haines as COO. Jordan Mehrtens continued in the capacity of Company Secretary and Noreen Byrne joined us as our HR Manager. This rounded out a well-balanced Executive Team. It is pleasing to be able to report that not only did our Executive Team bring stability to the Company, but additional savings were also realised with the restructure.

In late 2016 we were pleased to announce that Innovation Australia granted LCK an 'Advance Finding' for the LCEP, enabling a refundable tax offset on estimated eligible expenditure of \$21m to be incurred on the PCD stage of the project. The process undertaken by Innovation Australia to grant this finding is tremendously rigorous and enabled LCK to secure a Research and Development Working Capital Facility with the Commonwealth Bank of Australia (CBA) in February 2017. Securing this facility was, and is, extremely important to the Company and shows that a bank with the calibre of the CBA is prepared to support our project.

Perhaps our most significant moment of the past 12 months came in March 2017 when we welcomed China New Energy (CNE) as a new cornerstone investor and strategic partner. Through the March 2017 capital raising, LCK raised \$21.85m (before costs) via a 3 Tranche commitment, which, along with our CBA facility, will allow us to deliver on the PCD. Much work went into securing CNE as a cornerstone investor, and in a show of support and commitment to the LCEP, CNE have completed Tranches 1 and 2 ahead of time. Additionally we have agreed to split the third tranche into two payments to ensure progress of the PCD is not delayed due to funding constraints. We look forward to working with CNE in the future and to this extent CNE will be providing two coal gasification experts to work with us on our studies in Adelaide. A true commitment to our new partnership.

Since the capital raise in March 2017, LCK was able to mobilise quickly, leveraging off relationships already formed with suppliers. In May 2017 we awarded construction contracts for the PCD, specifically the Thermal Oxidiser, Gas Analyser and Gas Instruments package. The awarding of these long lead item contracts is important and it is significant that these contracts were awarded so quickly after the placement to CNE was announced, once again demonstrating how focussed your Company is on delivering this project.

Another milestone was reached in June 2017 when we completed the environmental baseline drilling programme consisting of groundwater and pressure monitoring wells. Initial data from these wells has been encouraging and continued analysis will enable us to create a conceptual model for environmental baseline characterisation which will assist in progressing the regulatory assessments and approvals process.



South Australian Treasurer Tom Koutsantonis meeting with representatives of China New Energy.

In June 2017 we also appointed a new Director to the Board of LCK as part of the agreement with CNE. CNE suitably nominated Mr Zhe Wang whose key areas of expertise in China include Coal Combustion, Renewable Energy applications and Steel Sinter. Mr Wang holds a bachelor in Thermo Dynamics, Renewable Energy Applications and a Masters in Energy Engineering and Thermal Physics and Coal Combustion. Mr Wang's competencies will add value to the LCK Board and we look forward to working with him as our relationship with CNE progresses.

Early July saw a further two significant contracts awarded to South Australian companies for the fabrication and installation of the above ground plant and electrical and communications systems. What is particularly pleasing about these contracts is that they were awarded to two South Australian companies after an intensive tender process supported by the South Australian Governments Industry Capability Network. These two work packages, along with those announced earlier in the year, represent a significant component of the total commitment for completion of the above ground aspect of the PCD.

To recap, a great deal of progress has been made over the past 12 months by LCK to deliver the PCD. The restructuring

of your Company, the completion of environmental baseline drilling programme, the awarding of construction contracts, being granted a positive "Advance Finding" by Innovation Australia, the obtaining of the CBA Working Capital debt facility and, most importantly, securing our cornerstone investor and partner CNE.

The year ahead promises to be a great one for the Company. We all have our part to play and I am confident that we have the right team in place to complete the task of demonstrating syngas flows at the LCEP. Successful demonstration and decommissioning of the PCD will enable us to move toward commercialisation of the LCEP with confidence and assurance that we can operate responsibly. I have no doubt that throughout 2017-18 there will be a number of significant milestones we as a Company will have to meet, but we are confident we have the funding, the team, and the right market to deliver on our goals.



Mr Justyn Peters
Executive Chairman

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...we have the funding, the team and the right market to deliver on our goals.

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Year in Review

On July 5 2016, LCK announced to the market the commencement of drilling operations at the Leigh Creek Energy Project (LCEP). Effectively, this was the first physical stage in the development of the LCEP. Throughout the year we have transformed our Company and have transitioned from a Company engaged in planning to one engaged in doing.

During the year we restructured our team to better align the roles and responsibilities of each team member with the goal of achieving approval for, and operating, the Pre-Commercial Demonstration Facility (PCD). Rest assured, as we move forward each and every one of the LCK team is clearly focussed on the goal of completing the PCD.

With the detailed design complete we have now awarded extremely important long lead contracts for above ground construction of the PCD. We continue our positive relationship with the State Government and preparation for submission of our Environmental Impact Report (EIR) is well advanced – a critical document in the assessment and approvals process.

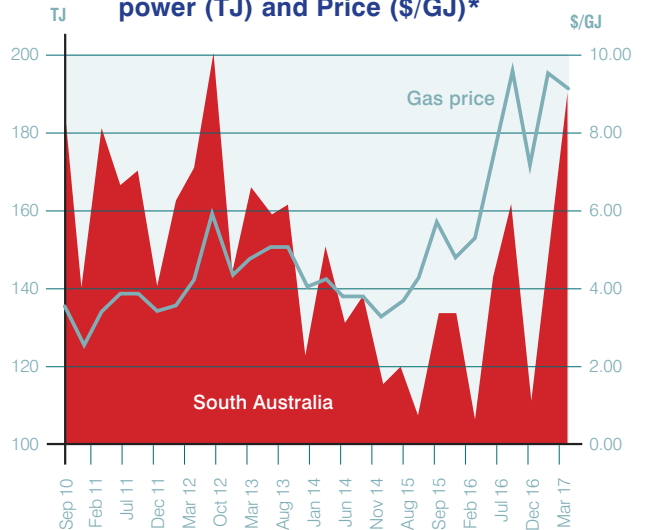
In addition to the operations, LCK's commitment to engaging with our project stakeholders is central to the success of developing strong community partnerships. The operations and community engagement are both equally critical to the success of the project.

Whilst the operations team have been pushing ahead towards the PCD, the studies team completed a positive scoping study in January 2017. This has enabled them to move to the next stage and they are now focussed on the completion of the prefeasibility study within three months of the completion of the PCD.

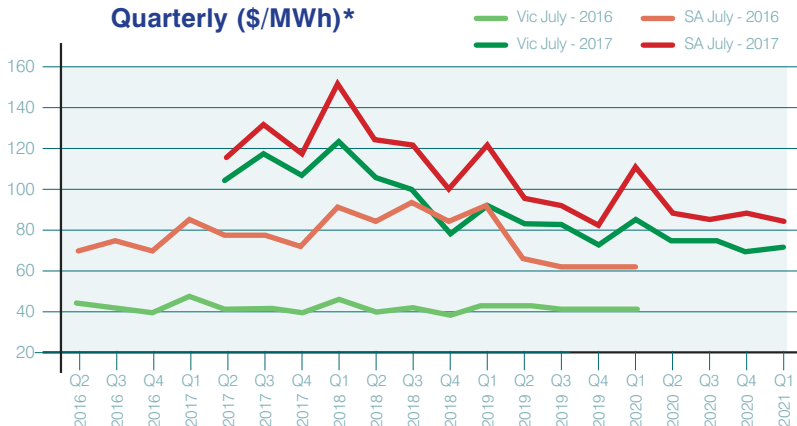
Energy Markets

As we head toward initiation of the PCD, it is hard to ignore the ever-worsening electricity and gas markets throughout Australia and in particular South Australia. The Australian energy markets are in a state of turmoil. Both electricity and gas pricing have reached historically high levels and at the same time supply has become much less reliable. Wholesale power prices have more than doubled to \$90/MWh and gas prices have more than tripled to \$9/GJ. South Australia has experienced the worst combination of prices and unreliability as the state has the highest concentration of intermittent renewable supplies. As can be seen below, the financial markets expect that the future price of electricity will continue to remain high in SA well past 2020. As South Australia has taken a strong stance in support for unconventional gas development, it stands apart from most other states, which have pushed to limit supplies of new gas. In combination with the export of LNG from Gladstone, the domestic gas market is now caught between foreign demand for Australian gas and government restrictions on new development.

SA Daily Gas Consumption for power (TJ) and Price (\$/GJ)*



Electricity Futures Price Quarterly (\$/MWh)*



South Australia stands apart, as most other states limit the supply of new gas.

* Source: AER, NEM Quarterly Spot and Futures Prices, Gas Use, and STTM.

Strategy

At LCK, we recognise that our future depends on developing the LCEP. Each development stage completed brings us closer to our goals and contributes to de-risking the project. Notwithstanding the numerous development stages along the way, we recognise that the major upcoming de-risking event for the Company is the demonstration of syngas from the PCD.

Our strategy is clear and well understood with two main streams – operational and commercial.

- The operational side of the business is clearly focussed on developing the PCD. The flaring of syngas will demonstrate our ability to produce gas safely and in an environmentally responsible manner. Results of the demonstration will also inform the ultimate design of the commercial project.
- On the commercial side, the LCEP has a number of possible pathways to commercialisation. These could include the production of natural gas, electricity, or fertiliser products such as ammonia. The studies team is tasked with demonstrating the preferred pathway to commercialisation. They are focussed on completing Prefeasibility Studies. These studies are being rapidly advanced and will be completed shortly after the completion of the PCD.

The year ahead

The year ahead will be a transformative one for LCK. By the end of the year we will be a gas company with a significant energy resource, proven method to market and a confirmed pathway to commercialisation. The market we serve will be one in severe need of our product – whatever the commercialisation pathway.

The challenges in achieving this objective are too numerous to mention, but the opportunities are outstanding. Each member of the team at LCK has embraced the task of achieving these goals over the next 12 months.

It is truly an exciting time to be a part of the development of this project. We at LCK are all fully engaged in realising our Company goals and maximising the value from this outstanding energy resource to the benefit of all of our valued stakeholders.

An exciting and challenging year lies ahead.

Sincerely,



Mr Phil Staveley
Chief Executive Officer



The LCK team at
Aroona Dam just out
of Leigh Creek

Project Execution

LCK has developed a team of technical professionals who are committed to achieving the design, construction, operation and decommissioning of the Pre-Commercial Demonstration Facility (PCD). The in-house technical team is supported by recognised external consultants who are assisting in executing delivery of this project.

Key development tasks include site investigation, regulatory assessments and approvals, stakeholder relations, engineering design and fabrication, installation and operation. Completed tasks are announced to the market regularly to ensure transparency between the Company and its stakeholders.

Regulatory Assessment and Approvals

LCK requires approval from various State government agencies before commencing Demonstration and Commercial In Situ Gasification (ISG) operations. Of relevance is the Department of Premier and Cabinet's (DPC) requirements for an Environmental Impact Report (EIR) under the Petroleum and Geothermal Energy Act, 2000. In addition to the EIR, LCK is required to prepare a Statement of Environmental Objectives (SEO), in which we outline the environmental objectives to which our ISG activities will conform, and the criteria upon which the achievement of these objectives will be assessed.

Engineering Design

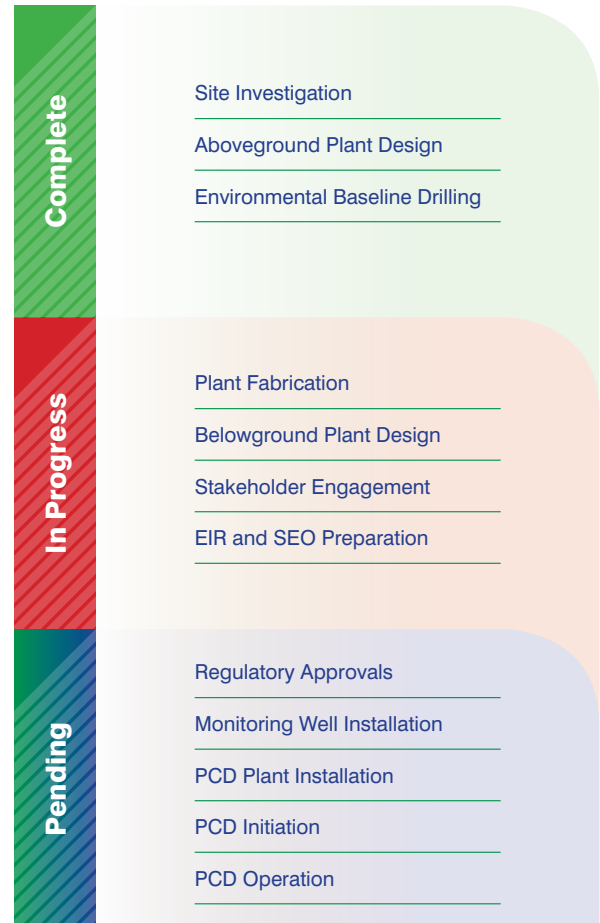
In Situ Gasification is not a new process. Plant and equipment that control the ISG process have been developed and improved for almost a century. LCK has drawn and improved upon the knowledge from successful designs and processes from other sites and industries to develop a simple, robust and cost-effective design for the PCD that minimises project risk.

The objectives of the PCD are to safely implement, commission, operate and decommission the ISG process to meet environmental requirements and industry best practices. The design has undergone a stringent risk assessment process to ensure that it meets or exceeds the highest appropriate local, national and international standards.

With design and fabrication contracts already awarded, the offsite construction of the PCD has commenced. Subject to obtaining the necessary approvals, the initiation of the PCD is

With design and fabrication contracts already awarded, the offsite construction of the PCD has commenced.

scheduled for late 2017. Once commissioning is completed and gasification has commenced, the PCD will be operated continuously for a period of approximately 2-3 months. On completion of the demonstration and collection of necessary data, the PCD will be decommissioned, with plant and equipment removed from site and the area rehabilitated.



As at 11/07/2017



Relationship with Traditional Owners

LCK has been developing a working relationship with the Adnyamathanha Traditional Lands Association (ATLA) who are the prescribed body corporate and Native Title holders for 41,085km² in and around the Ikara-Flinders Ranges. ATLA comprises over twenty different groups and represents more than 2,500 people running east from the edge of Lake Torrens, through the northern Ikara-Flinders Ranges, and across to Lake Frome in the west.

LCK will continue to engage with the Traditional Owners, through ATLA Board meetings and at specialised information sessions.

Stakeholder Engagement

LCK will continue its commitment to respectful and transparent communication and aims to have informed discussions to proactively work with stakeholders. LCK plans to maintain a level of communication with stakeholders that respects their rights, interests, and connections to land. Our overarching message is to create value for the local community and deliver two-way communication to address issues and opportunities raised by members of the public.

With a key focus of operations moving forward being community engagement, LCK will continue to hold information sessions throughout Leigh Creek, Copley, Hawker and surrounding communities.

LCK will introduce a targeted online community portal via the LCK website for ease of use for interested stakeholders. Community members can easily log in and share their experiences of the project, leave feedback, and locate or request information. In addition, a suite of educational materials about the company and the project are being developed for use in community engagement activities.

Commercial Studies

LCK is continuing to develop technical and commercial studies for development of the LCEP, however some key information required in order to finalise these studies will be derived from operation of the PCD. Specifically, proof of syngas production from the Leigh Creek Coal Measures will allow us to better analyse the technical design and environmental data supporting the Commercial Project Development Case.

As the financial year begins the studies team is preparing for Pre-Feasibility Studies for various cases including natural gas, power generation and ammonia products. The team plans to complete its Pre-Feasibility Studies and report in the second half of the financial year, providing a recommendation on how to proceed on the commercialisation path into the following term.



Historic fence posts surrounding the wider Copley area.

LCK will continue to hold information sessions throughout Leigh Creek, Copley, Hawker and surrounding communities.

Project Financing

In March 2017, LCK announced that it had successfully completed a capital raising effort to new cornerstone investor, China New Energy (CNE) and institutional investors. CNE's investment is an acknowledgement of LCK's significant gas resources, project management and commercial expertise. CNE intends to be a long-term partner with LCK in developing the LCEP and future commercialisation of the technology developed at Leigh Creek.

The equity funding from CNE and other investors through the year is supplemented by our access to R&D funding. The R&D Working Capital Facility with the CBA allowed the Company to bring forward access to \$1.6m of refundable tax offsets during the year. The facility provides for progressive drawdowns of eligible R&D expenditure in line with the Company's 'Certificate of Advance Finding' as provided by Innovation Australia in 2016.

Environmental Baseline Drilling

Environmental baseline drilling activities were completed during June 2017. In total four drill holes were required to measure groundwater pressures, levels, and chemistry at a location central to the proposed PCD. The purpose of each well is as follows:

- One drillhole is required to measure groundwater pressures and levels in each of the relevant geological formations using vibrating wire piezometers VWP; and
- Three groundwater monitoring wells are required to collect groundwater samples from specific geological formations.

The baseline conditions will be used to monitor and assess any changes outside of the operational area that may occur during and after operation of the PCD.

Further drilling to install additional monitoring wells for the PCD phase is being defined post completion of these initial four wells.

Project Development

Design work for the aboveground PCD has been completed and contracts have been awarded to various fabricators for construction. Design and construction packages were awarded during the year for the Thermal Oxidiser and Cold Vent, the Gas Analyser, Gas Instrumentation, aboveground plant, and electrical and communications systems. Construction is on schedule and on budget to be completed later in 2017.

The PCD below ground plant design is nearing completion with key elements such as drilling plans, wellheads, and tubing being completed and procured. Final elements are casing, grout and drilling contractors which are expected to be confirmed and procured later in the year.

Operational readiness is progressing with operating procedures and operator training packages also under development.

Completed Studies

During the year Scoping Studies investigated commercialisation opportunities for the syngas to be produced and included the potential for producing natural gas for sale to the eastern states gas market, and generating power for the South Australian electricity market. Both options are attractive and will be assessed further, along with alternative commercial product streams, to determine which case will be taken forward through to a Pre-Feasibility Study level phase. Other options continuing to be assessed for future studies are production of ammonia and urea, ammonium nitrate, methanol, and the potential for manufacturing derivative products from these.



Cultural Heritage

LCK recognises cultural heritage significance as aesthetic, historic, scientific, social or spiritual value for past, present or future generations, specifically including places of significance to the cultural and spiritual beliefs of the Adnyamathanha people. The Company has worked collaboratively with the Adnyamathanha Traditional Lands Association (ATLA) to undertake cultural heritage assessments and work area clearance surveys of the environmental baseline drilling locations to identify, record and manage cultural heritage as per agreed protocols with ATLA.

Stakeholder Relations

LCK developed a comprehensive Stakeholder Relations Plan and has rolled out its implementation through the employment of both in-house and consultant specialised stakeholder relations personnel. In addition to holding informal open house community events in Copley and Hawker, LCK has been invited to attend ATLA Board meetings to give project updates and is committed to open and transparent communication with all stakeholders.

During the year Scoping Studies investigated commercialisation opportunities for the syngas to be produced and included the potential for producing natural gas for sale to the eastern states gas market, and generating power for the South Australian electricity market.

Government Relations and Compliance

LCK has engaged independent third-party consultants to undertake environmental assessments of the PCD site including surface water, fauna and flora, and air quality. These assessments in conjunction with data from groundwater monitoring wells, seismic surveys and geological data will help LCK to understand relationships between landforms, groundwater and historic operations and the current and potential environmental impacts.

LCK also participates in the Leigh Creek Energy Internal Government Agency Reference Group which meets regularly to discuss technical progress and stakeholder relations updates. These meetings occur between LCK, the Environment Protection Authority (EPA), Department of Environment, Water and Natural Resources (DEWNR) and DPC's Energy Resources and Minerals Divisions.



Aroona Dam

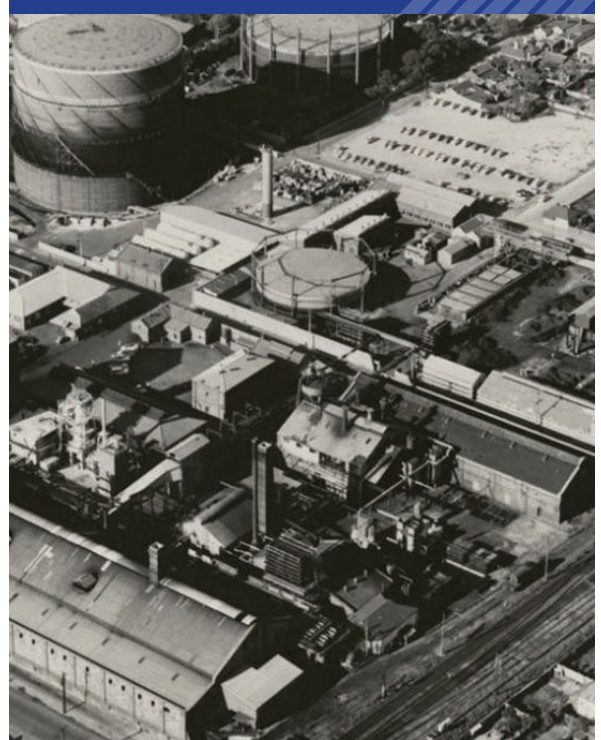
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Surface Coal Gasification and In Situ Gasification (ISG)

Surface gasification of coal was originally used for making town gas with the first commercial gasification used in the 1800's for industrial and residential heating and lighting – this was often known as a 'Gasworks'. Most major cities in the western world had them.

In modern gasifiers, the coal is typically exposed to air or steam and oxygen under high temperatures and pressures. Under these conditions, molecules in the coal dissociate resulting in the production of synthesis gas ("syngas") containing methane, hydrogen and carbon monoxide. ISG and surface gasification can each be used to produce similar syngas that have identical downstream uses.

Gasifying the coal underground (in situ) allows the energy extraction from large coal resources that are not economically or technically recoverable by conventional mining techniques. The hazards related to conventional mining practices are also removed. Surface disruption is minimised and handling of solid materials is eliminated i.e. coal and ash handling at the surface is not required.



An aerial view of the Brompton Gasworks in the 1900s.

ISG allows for the potential of large scale economic recoveries.



A gas street lamp on the intersection of Hindley and King William streets in 1885.

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What is In Situ Gasification (ISG)?

ISG technology has been acknowledged since the 1800's, however it was first adopted commercially in the Soviet Union during the 1930's and remains in use there today at the Angren plant in Uzbekistan which feeds a power generation plant. Recent advances in oil and gas technologies (notably directional drilling and computer-based process control) have combined to further enhance ISG to become more commercially attractive.

The ISG syngas can be either used to produce electricity directly or further refined into a variety of products including natural gas and ammonia.

The ISG process is controlled via the injection of air or steam and oxygen into the coal seam, plus the injection rate and reactor pressure. The injected air or steam and oxygen are introduced to the coal via an inlet well that is drilled vertically and then horizontally into the coal seam.

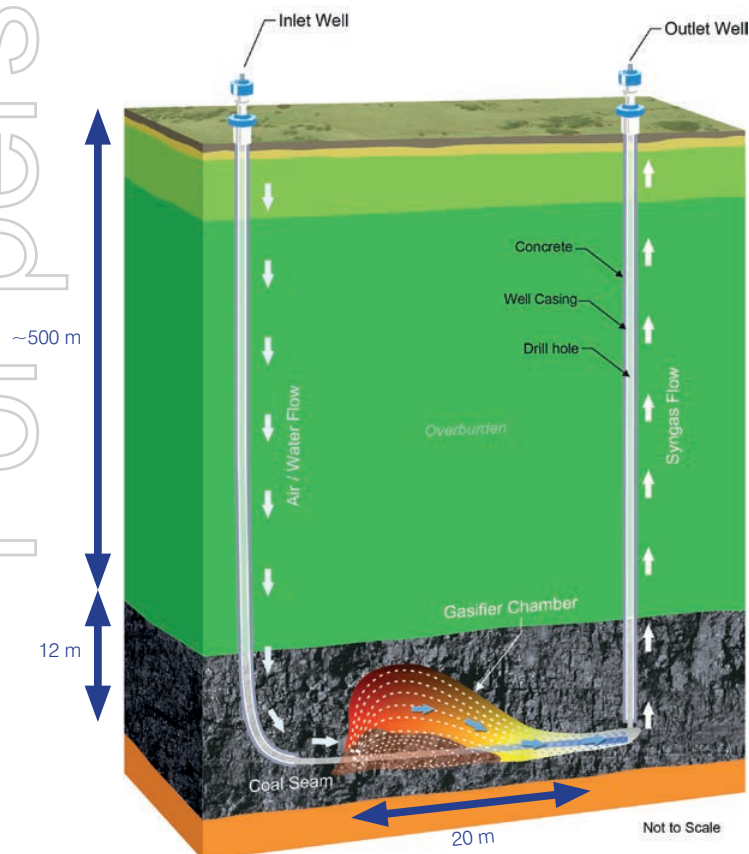
The syngas is extracted through an outlet well drilled in the coal seam to the surface where the gas is processed for use in downstream applications or direct sale.

To facilitate gasification initiation, a channel is created between the inlet and outlet wells. This is achieved by directional drilling which creates a tube-shaped cavity along which gases can travel.

Decommissioning of the ISG chamber occurs through a well-defined and monitored process. Gasification ceases when the air or steam and oxygen injection is stopped. Once injection has ceased, gasification stops within 48 hours. The pressure in the gasifier chamber is then reduced, promoting the inflow of groundwater which causes steam within the cavity. Volatile material is flushed by the steam to the surface for combustion through the Thermal Oxidiser.

While the precise method to be utilised in the commercial operation at the LCEP will be finalised during the front end engineering design phase of the commercial development programme of work, based on preliminary analysis, it is likely to utilise a Linear Continuous Retraction Injection Point (CRIP) method. This method has been proven at several ISG trial sites and is widely considered to be the preferred method for efficient production of syngas from underground coal seams.

The Linear CRIP process utilises a vertical outlet well and an inlet well that is drilled using standard oilfield directional drilling techniques in order to connect the wells as shown in the following figure.



ISG process

In Situ Gasification is not a new process. Plant and equipment that control the ISG process have been developed and improved for almost a century.

Tenement Schedule

Petroleum and Mineral Tenement Schedule

| Tenement | Percentage Interest | Grant Date | Location |
|---|---------------------|----------------------|-----------------|
| Petroleum Exploration Licence 650 | 100% | 18 November 2014 | Leigh Creek |
| Petroleum Exploration Licence Application 582 | 100% | Application Approved | Finniss Springs |
| Petroleum Exploration Licence Application 643 | 100% | Application Approved | Callabonna |
| Petroleum Exploration Licence Application 644 | 100% | Application Approved | Roxby Downs |
| Petroleum Exploration Licence Application 647 | 100% | Application Approved | Leigh Creek |
| Petroleum Exploration Licence Application 649 | 100% | Application Approved | Oakdale |
| Gas Storage Exploration Licence 662 | 100% | 5 February 2016 | Leigh Creek |
| Exploration Licence Application 2016-00009 | 100% | Under Application | Leigh Creek |

PEL 650 Coal Resource Analysis

| Tenement Block | Working Section | Thickness (m) | Depth (m) | Inherent Moisture (ad%) | Ash (ad%) | Volatiles (ad%) | Fixed Carbon (ad%) | Density (RD) | Area (ha) | Volume (m) | Tonnage (Mt) |
|----------------------------|-----------------|-----------------------|--------------------|-------------------------|-----------------------|-----------------------|-----------------------|--------------|-----------|-------------|--------------|
| PEL650 – ISG WS-G Block 1 | F G1-G2-H1 | 2.0-16.0 Av. 7.1 | 200-366 Av. 276 | 15.2-17.1 Av. 15.8 | 6.2-20.6 Av. 10.8 | 23.9-29.5 Av. 27.7 | 33.6-47.5 Av. 42.9 | 1.4 | 159 | 11,300,000 | 15.8 |
| PEL650 – ISG WS-G Block 2 | F G1-G2-H1 | 2.0-7.1 Av. 3.68 | 200-301 Av. 245 | 17.1-17.8 Av. 17.7 | 11.6-12.8 Av. 12.6 | 27.8-27.9 Av. 27.9 | 41.4-42.2 Av. 41.6 | 1.4 | 24 | 900,000 | 1.3 |
| PEL650 – ISG WS-L1 Block 1 | L1 | 2.0-6.3 Av. 3.68 | 200-392 Av. 245 | - | - | - | - | 1.4 | 204 | 6,140,000 | 8.5 |
| PEL650 – ISG WS-K2 Block 1 | K2 | 2.0-6.7 Av. 3.3 | 200-413 Av. 307 | - | - | - | - | 1.4 | 301 | 9,970,000 | 13.9 |
| PEL650 – ISG WS-Q Block 1 | Q1-Q2-Q3 | 2.0-29.9 Av. 15.97 | 200-831 Av. 477 | 20.9-23.0 Av. 22.5 | 11.0-11.2 Av. 11.1 | 24.9-25.1 Av. 24.9 | 40.9-42.3 Av. 41.2 | 1.4 | 1069 | 170,800,000 | 239 |
| PEL650 – ISG WS-V Block 1 | V1-V2-V3-V4 | 2.0-13.7 Av. 5.4 | 201-866 Av. 517 | 18.4-18.8 Av. 18.4 | 15.9-17.4 Av. 16.0 | 25.2-25.4 Av. 25.3 | 37.0-37.8 Av. 37.7 | 1.4 | 990 | 52,800,000 | 74 |
| PEL650 – ISG WS-W1 Block 1 | W1 | 2.0-5.3 Av. 3.4 | 292-870 Av. 527 | - | - | - | - | 1.4 | 503 | 17,200,000 | 24.1 |
| ISG-Project Total | | | | | | | | | | | 376.6 |

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Coal and Gas Resources

The Company's Inferred Coal Resource and equivalent Syngas Resource as at 30 June 2017, reported in accordance with 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) guidelines and the 2007 Society of Petroleum Engineers (SPE) Petroleum Resources Management System (PRMS) guidelines (respectively), are:

| Tenement | Location | Coal Resource Category | Coal Resources (Mt) 2017 | Coal Resources (Mt) 2016 | Syngas Resource Classification | Syngas Energy (Pj) 2017 | Syngas Energy (Pj) 2016 |
|-----------------------------------|-------------|------------------------|--------------------------|--------------------------|--------------------------------|-------------------------|-------------------------|
| Petroleum Exploration Licence 650 | Leigh Creek | Inferred | 376.6 | 376.6 | 1C | 2,747.7 | 2,747.7 |
| | | | | | 2C | 2,963.9 | 2,963.9 |
| | | | | | 3C | 3,303.1 | 3,303.1 |

Mineral Resource and Syngas Resource Governance and Disclosures

Mineral Resources are estimated in accordance with the requirements of the JORC Code, by qualified competent persons who are consultants to Leigh Creek Energy.

Syngas Resources are estimated in accordance with the requirements of the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, by qualified petroleum reserves and resources evaluators who are consultants to Leigh Creek Energy.

The Minerals Resource and Syngas Resource Statements in the 2017 Annual Report are reviewed by qualified consultants described below. For Mineral Resources, this is the qualified competent person, and for the Syngas Resources, the qualified petroleum reserves and resource evaluator.

Notes on Coal Resources

For the purposes of ASX Listing Rule 5.23, Leigh Creek Energy confirms that it is not aware of any new information or data that materially affects the information included in the 8 December 2015 Resources Statement and that all material assumptions and technical parameters underpinning the estimates in the Resources Statement continue to apply and have not materially changed. A review of coal quality data and resource modelling is currently in progress and is expected to be completed in the next quarter.

The coal resources reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr Warwick Smyth of GeoConsult Pty Ltd. Mr Smyth is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, who has more than 25 years' experience in the field of activity being reported. Mr Smyth has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Mr Smyth consents to the inclusion in the report of coal resources estimates based on his information in the form and context in which it appears.

Notes on Gas Resources

For the purposes of ASX Listing Rule 5.43, Leigh Creek Energy confirms that it is not aware of any new information or data that materially affects the information included in the 8 January 2016 Resources Statement and that all material assumptions and technical parameters underpinning the estimates in the Resources Statement continue to apply and have not materially changed.

The Gas Resource estimates stated herein are based on, and fairly represent, information and supporting documentation prepared by Timothy Hower of MHA Petroleum Consultants LLC, Denver USA. Mr Hower is a member of the Society of Petroleum Engineers and has consented to the use of the Resource estimates and supporting information contained herein in the form and context in which it appears. All estimates are based on the deterministic method for estimation of petroleum resources.



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Leigh Creek Energy Limited is a public company incorporated and domiciled in Australia and listed on the Australian Securities Exchange.

The directors present their report together with the financial statements of the consolidated entity, being Leigh Creek Energy Limited ("the Company" or "Leigh Creek Energy") and its controlled entities ("the Group") for the year ended 30 June 2017.

Directors

The names of the directors in office at any time during or since the end of the year are:

| | |
|-----------------------------|--|
| Daniel Justyn Peters | <i>(appointed 28.11.2014)</i> |
| David Shearwood | <i>(appointed 27.05.2015) (retired 30.09.2016)</i> |
| Gregory English | <i>(appointed 22.09.2015)</i> |
| Murray Chatfield | <i>(appointed 30.06.2016)</i> |
| Zhe Wang | <i>(appointed 01.07.2017)</i> |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on continuing Directors

Daniel Justyn Peters LLB, BA (Politics/Jurisprudence) GDLP

Executive Chairman

Audit and Risk Committee Member

Director since 2014

Experience & expertise

Mr Peters joined Linc Energy soon after its listing on the ASX when Linc Energy was considered a world leader in underground coal gasification. In his six years at Linc Energy Mr Peters held the positions of General Manager Environment and Government Relations, General Manager Business Development, Executive General Manager North Asia and finished as Executive General Manager of Investor Relations. His experience across a broad range of business units within Linc Energy will prove invaluable in developing the Leigh Creek Energy project.

Previously Mr Peters was employed at the Queensland Environmental Protection Authority (EPA) as head of Investigations and Compliance and then acting Director of Central and Northern Regions. He managed the integration of the environmental regulation of the Queensland Mining Industry into the EPA.

Other current listed directorships

Oil Basins Ltd

Previous listed directorships (last three years)

None

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Information on continuing Directors

Gregory D English LLB, B.Eng (Mining)

Non-Executive Director

Audit and Risk Committee Chair

Director since 2015

Experience & expertise

Mr English is an experienced and qualified mining engineer and lawyer with over 25 years of involvement in the resources industry. As a mining engineer he has worked on underground and open pit coal mines, including working as a mining engineer at the Leigh Creek Coalfield where he lived in the Leigh Creek town. As a lawyer Greg has acted for numerous oil and gas companies and advised on numerous gas marketing, gas transportation and similar transactions.

Greg's experience in the coal industry, and in particular his knowledge of the Leigh Creek Coalfield, and experience and contacts in the oil and gas industry is a significant asset to the Company.

Other current listed directorships

Archer Exploration Limited and Core Exploration Limited

Previous listed directorships (last three years)

None

Murray K Chatfield B Com Ag (Economics and Marketing), MBA, ACT, MAICD

Non-Executive Director

Audit and Risk Committee Member

Director since 2016

Experience & expertise

Mr Chatfield has extensive experience within finance with nearly 30 years' experience within investment banking, hedge funds and corporate finance both in Australia and internationally. He was a senior Economist with the New Zealand government before joining Bankers Trust in London. He then moved into Hedge Funds initially as European Treasurer and then as a Partner and COO in a Relative Value Hedge Fund. He was the COO and Partner in a Australian based fund focussed on Global Macro events. He has been and is still, actively involved as a Director of several companies in the Commodity and Marketing areas. Mr Chatfield's career covers finance, treasury, accounting, operational efficiency, risk management (business, market, tax and regulatory), legal and regulatory compliance and direct financial market interaction.

Other current listed directorships

None

Previous listed directorships (last three years)

None

Zhe Wang

Non-Executive Director

Director appointed effective from 01.07.2017

Experience & expertise

Zhe joined the Leigh Creek Energy Board as a Non-Executive Director on 1 July 2017.

Zhe is a Chinese based Energy and Thermal Physics Engineer, who is currently the Vice President of China New Energy Group Limited (one of Leigh Creek Energy's major shareholders). He has been in the role since 2015 and has over 8 years Executive Management experience. Zhe also sits on the Board of Beijing Raise Mind Technology Ltd. Zhe's key areas of expertise include; Coal Combustion; Renewable Energy Applications and Steel Sinter. He has a Bachelor of Thermo Dynamics, Renewable Energy Applications as well as a Masters in Energy Engineering and Thermal Physics, Coal Combustion.

Other current listed directorships

None

Previous listed directorships (last three years)

None

Company Secretary

Jordan Mehrstens is a qualified Lawyer, and has other qualifications in finance and urban and regional planning. Jordan has worked with Leigh Creek Energy since its commencement, providing regulatory, compliance and other analytical advice. Jordan is a member of the Governance Institute of Australia and Australian Mining and Petroleum Law Association and performs the secretarial role in the Company. Jordan has been the Company Secretary of Leigh Creek Energy Limited since 2015.

Principal activities

The principal activity of the Group was advancing the development of its Leigh Creek Energy Project (LCEP).

Review of operations and financial results

The consolidated operating loss of the financial year to 30 June 2017 was \$5,758,760 (2016: (\$5,366,248)). Expenditure incurred on the 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 (\$2,135,457), was \$3,535,245 (2016:\$1,739,813).

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. In June 2017, the Company announced that environmental baseline drilling for the Pre-Commercial Demonstration (PCD) stage of the LCEP had been completed. The Company continues to progress towards the regulatory approval, award of major construction contracts and subsequent operation of the pre-commercial demonstration at the LCEP scheduled to be completed in early 2018.

During the year, the Company received approval from AusIndustry for its Advance Finding Application for the period 1 July 2015 to 30 June 2018. The Advance Finding Application is in relation to eligible research expenditure for the Leigh Creek Energy Project to access Research and Development (R&D) tax incentives. Further to this, the Company arranged a working capital facility with the Commonwealth Bank of Australia (CBA) to bring forward access to refundable tax concessions (see Note 10 for Borrowings).

In March 2017, Leigh Creek Energy signed a subscription agreement with China New Energy Group Limited (CNE) for the issue of 136.3 million Leigh Creek Energy Limited Ordinary Shares in three tranches at an average issue price of \$0.147 per share. The total investment by CNE is AUD 20 million before costs. On completion of the second tranche, CNE were granted the right to a seat on the Board of Directors and following completion of the final tranche, subject to the approval of shareholders at a meeting scheduled to be held in September/October 2017, CNE will hold approximately 32.78% of the total shares on issue. In addition, in March 2017 13.7 million shares were placed at \$0.135 per share with sophisticated and professional investors to raise a total of \$1.8 million (before costs).

The Chairman's report contains further information on the detailed operations of the Group during the year.

Dividends

The Directors do not recommend the payment of a dividend and no amount has been paid or declared since the end of the previous financial year.

Significant changes in state of affairs

No significant change in the state of affairs of the Group occurred during the financial year, other than as already referred to in this report.

Likely developments, prospects and business strategies

Approval is currently being sought for the pre-commercial development phase of the project which is scheduled to be completed in early 2018. 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.

The Group will require further capital to sustain its activities.

After reporting date events

- 1) Employee Share Options were issued on 11 August 2017 – total of 636,000 options issued at an exercise price of \$0.30, expiring on 30 November 2020.
- 2) China New Energy Group Limited's Mr Zhe Wang was appointed as a non-executive director effective from 1 July 2017.
- 3) Extraordinary General Meeting was held on 21 July 2017 to approve tranche 1 and tranche 2 placement by CNE.
- 4) The Company announced on 11 August 2017 that CNE's tranche 3 investment will be split into two payments, the first being 17 million shares at \$0.15 for a total of \$2,550,000 on 15 August 2017 increasing CNE's shareholding in the Company to 19.98% upon issue of the underlying shares. The second payment (balance of \$10 million) will increase CNE's shareholding above 20% and as such shareholder approval will be required at a requisitioned General Meeting.
- 5) On 15 August 2017, the term of the CBA working capital facility was extended to April 2019 and the limit increased from \$2 million to \$6.5 million, subject to the satisfaction of agreed conditions precedent.

DIRECTORS' REPORT

LEIGH CREEK ENERGY LIMITED ANNUAL REPORT 2017

Meetings of directors

During the financial year, the number of meetings held at which a director was eligible to attend and the number actually attended by each director were:

| Director | Board Meetings | | Audit & Risk Committee Meetings | |
|---------------|----------------|-------------------|---------------------------------|-------------------|
| | Meetings held | Meetings attended | Meetings held | Meetings attended |
| D J Peters | 13 | 13 | 2 | 2 |
| D K Shearwood | 3 | 3 | - | - |
| G D English | 13 | 12 | 2 | 1 |
| M K Chatfield | 13 | 13 | 2 | 2 |

Unissued shares under options

At the date of this report, the unissued ordinary shares of Leigh Creek Energy Limited under unlisted and listed options are as follows:

| Grant Date | Date of Expiry | Exercise Price | Number under Option |
|-----------------|------------------|----------------|---------------------|
| 14 October 2015 | 14 October 2019 | \$0.212 | 1,000,000 |
| 14 October 2015 | 14 October 2020 | \$0.25 | 1,000,000 |
| 1 December 2015 | 31 July 2020 | \$1.50 | 1,250,000 |
| 1 December 2015 | 30 November 2020 | \$0.30 | 8,565,000 |
| 6 June 2016 | 6 June 2018 | \$0.50 | 17,687,463 |
| 27 June 2016 | 31 October 2018 | \$0.20 | 1,500,000 |
| 27 June 2016 | 31 October 2018 | \$0.22 | 1,500,000 |
| 27 June 2016 | 31 October 2018 | \$0.24 | 1,500,000 |
| 27 June 2016 | 31 October 2018 | \$0.26 | 1,500,000 |
| 11 July 2016 | 30 November 2020 | \$0.49 | 141,250 |
| 15 July 2016 | 11 May 2019 | \$0.30 | 1,500,000 |
| 15 July 2016 | 8 May 2021 | \$0.30 | 800,000 |
| 4 October 2016 | 10 October 2021 | \$0.35 | 2,000,000 |
| 4 October 2016 | 10 October 2021 | \$0.45 | 2,000,000 |
| 11 August 2017 | 30 November 2020 | \$0.30 | 636,000 |
| Total | | | 42,579,713 |

Options relating to a former KMP's resignation have been forfeited (1,500,000) and a further 988,750 options have expired due to vesting conditions not being met.

Options approved at the June 2016 board meeting for non-executive directors (4,000,000) were granted following the Annual General Meeting on 10 October 2016 with an expiry date of 10 October 2021.

Options (831,000) have been granted to employees with an expiry date of 30 November 2020. Additionally, 2,300,000 options were granted to a consultant in relation to the capital raising in May 2016.

During the year ended 30 June 2017, and to the date of this report no ordinary shares of Leigh Creek Energy Limited were issued on the exercise of options. None of the options on issue entitles the holders to participate, by virtue of the options, in any dividend or share issue of the Company.

Proceedings

The Company is not currently a party to legal proceedings brought against it or initiated by it at the date of this report.

Environmental issues

The Company and subsidiaries are required to comply with various Commonwealth and State environmental legislation in relation to its planned exploration activities and future development at the Leigh Creek site.

No notification of any breach of any environmental regulation has been received in respect of any of the Company's exploration activities during the year.

Indemnities given to, and insurance premiums paid for, officers

During the year, the company paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer.

Non-audit services

During the year, Grant Thornton Audit Pty Ltd, the Company's auditors, did not perform other services in addition to their statutory audit duties.

Auditor's independence declaration

The Auditor's Independence Declaration for the year ended 30 June 2017 can be found on page 32 and forms part of the Directors' Report.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Remuneration report – audited

a) Principles used to determine the nature and amount of remuneration

The remuneration policy is designed to align the objectives of the Key Management Personnel with shareholder and business objectives by providing a fixed remuneration package to non-executive Directors and time based remuneration to Executive Directors. The Board of Leigh Creek Energy believes the policy to be appropriate and effective in attracting and retaining the best Directors and Executives to manage and direct the Group, as well as create goal congruence between Directors, Executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of board members and other Key Management Personnel of the Company is as follows.

The Company's Constitution specifies that the total amount of remuneration of non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive Directors has been set at \$500,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives but they may receive options or bonus payments subject to shareholder approval and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term, objective of maximising shareholder benefits through the retention of high quality personnel.

The Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan, approved by shareholders, that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success for the Company and to maximise the long term performance of the Company.

As the Company is developing an energy asset which is not yet in production, in the opinion of the Board, the Company's earnings and the consequences of the Company's performance on shareholder wealth are not related to the Company's remuneration policy.

Voting at 2016 AGM

Of the total valid available votes lodged, Leigh Creek Energy received 93.48% of "yes" votes on its remuneration report for the 2016 financial year with the motion carried unanimously on a show of hands as an ordinary resolution. The Company did not receive any specific feedback at the AGM on its remuneration practices.

Use of remuneration consultants

The Company did not engage remuneration consultants during the year.

b) Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (KMP) of the Group are shown in the table below:

| Year | Short term benefits | | | | Post employment benefits | Termination benefits | Share based payments | Total | |
|---------------------------------------|---------------------|------------------|------------------|------------------------------------|--------------------------|----------------------|----------------------|-----------------------|------------------|
| | Directors fees | Salary and wages | Other | Non-monetary benefits ¹ | Super contributions | Termination payments | Options ² | | |
| Executive directors | | | | | | | | | |
| D J Peters | 2017 | - | 300,000 | - | 6,262 | 28,500 | - | 5,655 | 340,417 |
| | 2016 | - | 325,000 | - | - | 30,875 | - | 8,038 | 363,913 |
| D K Shearwood ³ | 2017 | - | 68,750 | - | 8,267 | 6,531 | 305,163 ⁴ | (5,306) | 383,405 |
| | 2016 | - | 297,917 | - | - | 28,302 | - | 8,038 | 334,257 |
| P L Williams | 2017 | - | - | - | - | - | - | - | - |
| | 2016 | 11,667 | - | - | - | 1,108 | - | 159,288 | 172,063 |
| Non executive directors | | | | | | | | | |
| G D English | 2017 | 50,000 | - | - | - | 4,750 | - | (97,942) ⁵ | (43,192) |
| | 2016 | 38,750 | - | - | - | 3,681 | - | 163,671 ⁶ | 206,102 |
| M Chatfield | 2017 | 50,192 | - | - | - | 4,768 | - | (91,171) ⁵ | (36,211) |
| | 2016 | - | - | - | - | - | - | 148,877 ⁶ | 148,877 |
| C Schacht | 2017 | - | - | - | - | - | - | - | - |
| | 2016 | 13,222 | - | - | - | 1,256 | - | - | 14,478 |
| Other key management personnel | | | | | | | | | |
| P J Staveley | 2017 | - | 275,000 | - | - | 26,125 | - | 63,658 | 364,783 |
| | 2016 | - | 259,583 | - | - | 24,660 | - | 43,214 | 327,457 |
| J Haines | 2017 | - | 275,000 | - | 1,247 | 26,125 | - | 63,658 | 366,030 |
| | 2016 | - | 206,250 | - | - | 19,594 | - | 43,214 | 269,058 |
| M Terry ⁷ | 2017 | - | 250,000 | - | - | 23,750 | - | 31,829 | 305,579 |
| | 2016 | - | - | - | - | - | - | - | - |
| G Marsden ⁸ | 2017 | - | 72,917 | - | - | 6,927 | 12,498 ⁹ | 6,803 | 99,145 |
| | 2016 | - | 250,000 | - | - | 23,750 | - | 43,214 | 316,964 |
| S Appleyard | 2017 | - | - | - | - | - | - | - | - |
| | 2016 | - | - | 33,124 | - | - | - | - | 33,124 |
| Total | 2017 | 100,192 | 1,241,667 | - | 15,776 | 127,476 | 317,661 | (22,816) | 1,779,956 |
| | 2016 | 63,639 | 1,338,750 | 33,124 | - | 133,226 | - | 617,554 | 2,186,293 |

Notes

- ⁽¹⁾ Non monetary benefits include benefits provided to the KMP on which Fringe Benefits tax is paid.
- ⁽²⁾ In accordance with the Accounting Standards, remuneration includes a proportion of the notional value of the options granted or outstanding during the year. The notional value of options is determined as at the issue date and is progressively allocated over the vesting period. The amount included as remuneration is not indicative of the benefit (if any) that the employee may ultimately realise should the option vest. The notional value of the options as at the issue date has been determined in accordance with the accounting policy Note 11.
- ⁽³⁾ Mr Shearwood was made redundant on 30 September 2016.
- ⁽⁴⁾ Under the terms of Mr Shearwood's termination, he received a redundancy payment of \$293,000 plus unused leave.
- ⁽⁵⁾ Options were approved at the AGM in September 2016 for these directors. Under accounting rules, the options were expensed in the previous financial year using 30 June 2016 as the provisional grant date. An adjustment to accounting expense has been completed in this financial year to true-up the expense based on the actual grant date price.
- ⁽⁶⁾ Options to be issued to Non-Executive Directors were approved at the 30 June 2016 board meeting. As the remuneration is approved at the AGM, they were yet to be granted at the end of the last financial year. Under accounting rules, the options needed to be expensed in the financial year using 30 June 2016 as the provisional grant date.
- ⁽⁷⁾ Mr Terry was appointed to Chief Financial Officer on 1 October 2016. The amount disclosed represents his full year salary.
- ⁽⁸⁾ Mr Marsden resigned on 16 September 2016.
- ⁽⁹⁾ In relation to Mr Marsden's resignation, an amount of \$12,498 representing unpaid leave was paid.

c) Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreement relating to remuneration are set out below:

| Employee | Base salary | Term of agreement | Notice period |
|--------------|-------------|--|---------------|
| D J Peters | \$300,000 | 3 years + 1 year company option ¹ | 12 months |
| P J Staveley | \$275,000 | Ongoing | 3 months |
| J Haines | \$275,000 | Ongoing | 12 months |
| M Terry | \$250,000 | Ongoing | 3 months |

Notes:

⁽¹⁾ Commenced as salaried executive on 28 May 2015.

d) Share-based remuneration

Unlisted options are granted to Directors and Key Management Personnel as part of their remuneration. The options are not granted based on performance criteria, but are issued to the relevant directors and Key Management Personnel of the Group to increase goal congruence between executives, directors and shareholders. All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements. Options granted during this financial year:

| Name | Number granted | Grant date | Number vested | Vesting and first exercise date | Last exercise date |
|--------------------------|------------------|----------------|---------------|---------------------------------|--------------------|
| G D English ¹ | 2,000,000 | 4 October 2016 | 2,000,000 | 10 October 2016 | 10 October 2021 |
| M Chatfield ¹ | 2,000,000 | 4 October 2016 | 2,000,000 | 10 October 2016 | 10 October 2021 |
| Total | 4,000,000 | | | | |

Notes:

⁽¹⁾ Options issued to Non-Executive Directors were agreed at the 30 June 2016 board meeting. As the remuneration is required to be approved at the AGM, the options were granted following approval at the AGM held in September 2016. Under accounting rules, the options were expensed in the previous financial year using 30 June 2016 as the provisional grant date. An adjustment to accounting expense is included in this year's financial results.

The options were provided at no cost to the recipients. All options expire on the earlier of the expiry date or cessation of the individual's employment (excepting retiring directors).

Options issued in previous financial years that lapsed or were forfeited during the current financial year:

| Name | Number of options forfeited (lapsed) during the year | Financial year in which those options were granted |
|---------------|--|--|
| D J Peters | 250,000 ¹ | 2016 |
| D K Shearwood | 250,000 ¹ | 2016 |
| G Marsden | 1,500,000 ² | 2016 |

Notes:

⁽¹⁾ Options have lapsed as vesting conditions were not achieved.

⁽²⁾ As a result of Mr Marsden's resignation, the remaining tranches of unvested options were forfeited.

e) Other information**Number of Options held by Key Management Personnel**

The number of options to acquire ordinary shares in the Company held during the 2017 reporting period by each of the Group's Key Management Personnel, including their related parties, is set out below:

| Name | Balance at start of year | Granted as remuneration | Exercised | Other changes | Closing balance | Vested & exercisable at the end of the reporting period | Vested & un-exercisable at the end of the reporting period |
|----------------------------|--------------------------|-------------------------|-----------|--------------------|-------------------|---|--|
| D J Peters ¹ | 1,000,000 | - | - | (250,000) | 750,000 | - | - |
| D K Shearwood ¹ | 1,000,000 | - | - | (250,000) | 750,000 | - | - |
| G D English ² | - | 2,000,000 | - | - | 2,000,000 | 2,000,000 | - |
| M Chatfield ² | 25,000 | 2,000,000 | - | - | 2,025,000 | 2,025,000 | - |
| P J Staveley | 2,000,000 | - | - | - | 2,000,000 | 500,000 | - |
| J Haines | 2,000,000 | - | - | - | 2,000,000 | 500,000 | - |
| G Marsden ³ | 2,000,000 | - | - | (1,500,000) | 500,000 | 500,000 | - |
| M Terry | 1,000,000 | - | - | - | 1,000,000 | 250,000 | - |
| Total | 9,025,000 | 4,000,000 | - | (2,000,000) | 11,025,000 | 5,775,000 | - |

Notes:

- ⁽¹⁾ Options have lapsed as vesting conditions were not achieved.
- ⁽²⁾ Options to be issued to Non-Executive Directors were agreed at the 30 June 2016 board meeting. As the remuneration is required to be approved at the AGM, the options were granted following the September 2016 meeting.
- ⁽³⁾ As a result of Mr Marsden's resignation, the remaining tranches of unvested options were forfeited.

Number of Shares Held by Key Management Personnel

The number of ordinary shares in the Company during the 2017 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

| Name | Balance at start of year | Granted as remuneration | Received on exercise | Other changes ¹ | Held at the end of the reporting period |
|---------------|--------------------------|-------------------------|----------------------|----------------------------|---|
| D J Peters | - | - | - | - | - |
| D K Shearwood | 238,772 | - | - | - | 238,772 |
| G D English | - | - | - | - | - |
| M Chatfield | 1,308,914 | - | - | - | 1,308,914 |
| P J Staveley | 550,000 | - | - | - | 550,000 |
| J Haines | - | - | - | - | - |
| G Marsden | 250,000 | - | - | (250,000) | - |
| M Terry | - | - | - | - | - |
| Total | 2,347,686 | - | - | (250,000) | 2,097,686 |

Notes:

- ⁽¹⁾ Other changes include purchases, sales or transfers during the financial year.

Loans to Key Management Personnel

At balance date, the Group does not have any outstanding receivables relating to loans to employees or Key Management Personnel.

Related party transactions

During the reporting period, Piper Alderman lawyers were paid \$78,015 (2016: \$Nil) for legal services rendered to the Group. Greg English is a partner at Piper Alderman lawyers.

ARK Energy Ltd has a service agreement in place with the Company for facilities and accounting services. Fees rendered during the financial year were \$32,586. Mr Philip Staveley is a director of ARK Energy Ltd.

A related party purchased second hand goods from the Company in an arm's length transaction totaling \$1,932. The party is related to Mr Peters, Executive Chairman.

END OF AUDITED REMUNERATION REPORT

AUDITOR'S INDEPENDENCE

LEIGH CREEK ENERGY LIMITED ANNUAL REPORT 2017

Grant Thornton Audit Pty Ltd continues in office in accordance with Section 327 of the *Corporation Act*.

The auditor has not been engaged during the year for any non-audit services which may have impaired the auditor's independence. The auditor's independence declaration for the year ended 30 June 2017 has been received and is included in this report.

Signed in accordance with a resolution of the Board.



D J Peters
Director

Dated at Adelaide, South Australia this 17th day of August 2017

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The Board of Directors (the Board) of Leigh Creek Energy Limited (the Company) is committed to achieving and demonstrating the highest standard of Corporate Governance.

The Board guides the affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has responsibility for the overall Corporate Governance of the Company including its strategic direction, establishment of goals for its management and monitoring the achievement of those goals.

The individual Directors recognise that their primary responsibility is to the owners of the Company, its shareholders, while simultaneously having regard for the interests of all stakeholders and the broader community.

The statement outlines the Company's Corporate Governance Practices in place during the financial year. The Company's statement is made based on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition).

Although the ASX Corporate Governance Council's Recommendations are not mandatory, under listing rule 4.10.3 companies are required to provide a statement disclosing the extent to which they have followed the recommendations in the reporting period, identifying any principles which have not been followed with reasons for not having done so.

The statement of revised principles and the Company's compliance with each principle are set out in the Company's website www.lcke.com.au

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DIRECTORS' DECLARATION

LEIGH CREEK ENERGY LIMITED ANNUAL REPORT 2017

1. In the opinion of the Directors of Leigh Creek Energy Limited:
 - a. The consolidated financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the financial position as at 30 June 2017 and of the performance of the Group for the year ended on that date; and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.
3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

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



D J Peters
Director

Dated at Adelaide, South Australia this 17th day of August 2017

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AUDITOR'S INDEPENDENCE DECLARATION



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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 audit of Leigh Creek Energy Limited for the year ended 30 June 2017, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD

I S Kemp
Partner – Audit & Assurance

Adelaide, 17 August 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

| | Note | 2017 \$ | 2016 \$ |
|--|------|--------------------|--------------------|
| Other revenue | 2a | 53,731 | 20,930 |
| Other expenses | 2b | (2,581,694) | (2,238,576) |
| Depreciation of property, plant and equipment | 7 | (35,251) | (35,664) |
| Employee benefits expense | 11 | (3,171,452) | (3,128,846) |
| | | (5,734,666) | (5,382,156) |
| Finance income | 3a | 54,011 | 18,283 |
| Finance costs | 3b | (78,105) | (2,375) |
| Loss before income tax | | (5,758,760) | (5,366,248) |
| Income tax benefit | 4 | - | - |
| Loss for the year after income tax | | (5,758,760) | (5,366,248) |
| Total other comprehensive income | | - | - |
| Total comprehensive (loss) for the year | | (5,758,760) | (5,366,248) |
| Earnings per share | | | |
| Basic (cents per share) | 20 | (0.02) | (0.02) |
| Diluted (cents per share) | 20 | (0.02) | (0.02) |

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

| | Note | 2017 \$ | 2016 \$ |
|--|------|-------------------|-------------------|
| Assets | | | |
| Current | | | |
| Cash assets | 5 | 8,757,787 | 8,787,946 |
| Trade and other receivables | 6 | 2,358,752 | 209,887 |
| Other financial assets | | - | 16,031 |
| Total current assets | | 11,116,539 | 9,013,864 |
| Non-current | | | |
| Property, plant and equipment | 7 | 220,720 | 112,940 |
| Exploration and evaluation expenditure | 8 | 5,985,725 | 2,450,480 |
| Total non-current assets | | 6,206,445 | 2,563,420 |
| Total assets | | 17,322,984 | 11,577,284 |
| Liabilities | | | |
| Current | | | |
| Trade and other payables | 9 | 1,656,968 | 665,711 |
| Borrowings | 10 | 1,540,049 | - |
| Employee entitlements | 11 | 298,499 | 124,519 |
| Total current liabilities | | 3,495,516 | 790,230 |
| Total liabilities | | 3,495,516 | 790,230 |
| Net assets | | 13,827,468 | 10,787,054 |
| Equity | | | |
| Equity attributable to owners of the parent: | | | |
| Share capital | 12 | 41,100,034 | 32,361,720 |
| Share option reserve | 13 | 1,456,144 | 1,395,284 |
| Retained losses | | (28,728,710) | (22,969,950) |
| Total equity | | 13,827,468 | 10,787,054 |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

| | SHARE CAPITAL \$ | RETAINED LOSSES \$ | SHARE OPTION RESERVE \$ | TOTAL EQUITY \$ |
|---|---------------------|-----------------------|-------------------------------|--------------------|
| BALANCE 1 July 2016 | 32,361,720 | (22,969,950) | 1,395,284 | 10,787,054 |
| <i>Total comprehensive income</i> | | | | |
| Total profit or (loss) | - | (5,758,760) | - | (5,758,760) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | (5,758,760) | - | (5,758,760) |
| <i>Transactions with members in their capacity as owners:</i> | | | | |
| Issued of share capital (net of costs) | 8,738,314 | - | - | 8,738,314 |
| Employee share based payment options | - | - | 60,860 | 60,860 |
| Total transactions with owners | 8,738,314 | - | 60,860 | 8,799,174 |
| BALANCE AT 30 June 2017 | 41,100,034 | (28,728,710) | 1,456,144 | 13,827,468 |
| | | | | |
| BALANCE 1 July 2015 | 19,493,353 | (17,603,702) | - | (1,889,651) |
| <i>Total comprehensive income</i> | | | | |
| Total profit or (loss) | - | (5,366,248) | - | (5,366,248) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | (5,366,248) | - | (5,366,248) |
| <i>Transactions with members in their capacity as owners:</i> | | | | |
| Issued of share capital (net of costs) | 9,442,046 | - | - | 9,442,046 |
| Treasury shares sold | 3,426,321 | - | - | 3,426,321 |
| Employee share based payment options | - | - | 1,395,284 | 1,395,284 |
| Total transactions with owners | 12,868,367 | - | 1,395,284 | 14,263,651 |
| BALANCE AT 30 June 2016 | 32,361,720 | (22,969,950) | 1,395,284 | 10,787,054 |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

| | Note | 2017 \$ | 2016 \$ |
|---|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Sundry income received | | 20,000 | 2,855 |
| Interest paid | | (5,288) | (2,375) |
| Interest received | | 34,411 | 11,905 |
| R&D rebates received | | 834,555 | - |
| Payments to suppliers and employees | | (5,458,337) | (3,887,337) |
| Net cash (used in) operating activities | 16(b) | (4,574,659) | (3,874,952) |
| Cash flows from investing activities | | | |
| Purchase of property, plant & equipment | | (126,955) | (53,745) |
| Proceeds from disposal of assets | | 29,063 | 2,250 |
| Capitalised exploration costs | | (5,611,122) | (1,755,702) |
| Net cash (used in) investing activities | | (5,709,014) | (1,807,197) |
| Cash flow from financing activities | | | |
| Issue of shares | | 9,315,764 | 14,027,813 |
| Share issue transaction costs | | (577,450) | (916,907) |
| Proceeds from borrowings | | 1,610,000 | - |
| Payment of borrowing costs | | (94,800) | - |
| Advances/(Repayments) from related parties | | - | (125,438) |
| Net cash from / (used in) financing activities | | 10,253,514 | 12,985,468 |
| Net change in cash and cash equivalents | | (30,159) | 7,303,319 |
| Cash and cash equivalents, beginning of year | | 8,787,946 | 1,484,627 |
| Cash and cash equivalents, end of year | 16(a) | 8,757,787 | 8,757,946 |

The accompanying notes form part of these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Summary of significant accounting policies

The principal activity of the Group was pursuing the development of its Leigh Creek Energy Project.

a) General information and statement of compliance

The consolidated general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Leigh Creek Energy is a for-profit entity for the purposes of preparing the financial statements. The financial report has been presented in Australian dollars.

Leigh Creek Energy Limited is the Group's Ultimate Parent Company. Leigh Creek Energy Limited is a listed public company, incorporated and domiciled in Australia. The address of the registered office and its principal place of business is Level 11, 19 Grenfell Street, Adelaide SA 5000.

The consolidated financial statements for the year ended 30 June 2017 were approved and authorised for issue by the Board of Directors on 17 August 2017.

b) Overall considerations

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

c) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2017. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a report date of 30 June. The controlled entities are disclosed in Note 17(a) to the financial statements.

All inter-company balances transactions and balances between Group companies are eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

d) Changes in accounting policy

New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2016. Information on the more significant standards is presented below.

(i) AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.

The amendments to AASB 116 Property, Plant and Equipment prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 Intangible Assets present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The adoption of these amendments has not had a material impact on the Group.

(ii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 Presentation of Financial Statements

The Standard makes amendments arising from the IASB's Disclosure Initiative project. The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information;
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated;
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position;
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order;
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy.

The adoption of these amendments has not had a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(iii) AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs

This amendment inserts scope paragraphs into AASB 8 Operating Segments and AASB 133 Earnings per Share in place of application paragraph text in AASB 1057.

In July and August 2015, the AASB reissued AASB 8, AASB 133 and most of the Australian Accounting Standards that incorporate IFRSs to make editorial changes. The application paragraphs in the previous versions of AASB 8 and AASB 133 covered scope paragraphs that appear separately in the corresponding IFRS 8 and IAS 33. In moving those application paragraphs to AASB 1057 when AASB 8 and AASB 133 were reissued in August, the AASB inadvertently deleted the scope details from AASB 8 and AASB 133. This amending Standard puts the scope details into those Standards, and removes the related text from AASB 1057. There is no change to the requirements or the applicability of AASB 8 and AASB 133.

The adoption of these amendments has not had a material impact on the Group.

Accounting standards issued but not yet effective and not been early adopted by the Group

The accounting standards that have not been early adopted for the year ended 30 June 2017, but will be applicable to the Group in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future reporting periods, however they have been considered insignificant to the Group.

(iv) AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This amendment alters AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

When this standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

(v) AASB 9 Financial Instruments (December 2014)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 Financial Instrument. The main changes are:

a. Financial assets that are debt instruments will be classified based on:

- (i) the objective of the entity's business model for managing the financial assets; and
- (ii) the characteristics of the contractual cash flows.

- b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI');
- the remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(vi) AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations;
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

When this standard is first adopted for the year ending 30 June 2019, there will be no impact on the transactions and balances recognised in the financial statements.

(vii) AASB 16 Leases

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

As this Standard will be first adopted for the year ending 30 June 2019, the impact has not yet been determined.

(viii) AASB 15 Revenue from Contracts with Customers

- replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:
 - establishes a new revenue recognition model;
 - changes the basis for deciding whether revenue is to be recognised over time or at a point in time;
 - provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing);
 - expands and improves disclosures about revenue.

As this Standard will be first adopted for the year ending 30 June 2019, the impact has not yet been determined.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

e) Impairment of Assets

At each reporting date, the group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

f) Segment reporting

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.

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from the Australian Tax Office is included with other receivables in the statement of financial position.

Cash flows are presented in the cash flow statement on a GST inclusive basis.

h) Comparative Figures

Unless otherwise required by an accounting standard comparative information is disclosed in respect of the previous corresponding period, including for narrative and descriptive information. To the extent that items are amended or reclassified comparative amounts are also amended or reclassified. Prior period errors are retrospectively corrected in the next financial report following discovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

i) Significant management judgement in applying accounting policies

When preparing the financial statements, management undertake a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The areas involving significant estimates and assumptions are listed below:

- Exploration and Evaluation Expenditure – Note 8
Judgement is required to ensure that the carrying value of Exploration and Evaluation assets does not exceed the recoverable amount. Factors considered in this judgement are:
 - a) *the period for which the entity has the right to explore in the specific area has expired or will expire in the near future;*
 - b) *substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;*
 - c) *exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities;*
 - d) *sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.*

Management has made a judgement that, given these factors, the balance of Exploration and Evaluation assets is not impaired.

- Share based payments – Note 11
The valuation for accounting purposes of Share Based Payments relies on a number of factors that cannot be accurately measured. These include:
 - a) *the volatility of the LCK share value;*
 - b) *the probability that vesting conditions/milestones will be met;*
 - c) *the probability that the employee will remain employed with the company until the expiry date of the options;*
 - d) *the probability that the employee will exercise their options.*

Final judgement about vesting of the options is retained by the Board. Management has assessed each of these factors and made judgements on what factors are used for the calculation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2 OTHER REVENUE AND EXPENSES

Accounting policy – revenue and expenses recognition

Other revenue is recognised on an accruals basis and is recognised at the time the right to receive payment is established.

Other expenses represents costs incurred for the administration of the business. Costs relating to the project have been capitalised to Exploration and Evaluation expenditure (as shown in Note 8).

| | 2017 \$ | 2016 \$ |
|--------------------------------------|------------------|------------------|
| a) Other revenue | | |
| Grants | 20,000 | - |
| Fair value to P&L (financial assets) | 10,875 | - |
| Disposal of fixed assets | 22,856 | 20,930 |
| Total other revenue | 53,731 | 20,930 |
| b) Other expenses | | |
| Accounting and audit | 142,343 | 181,688 |
| Communications costs | 54,905 | 104,618 |
| Corporate advisory | 371,302 | 200,348 |
| Software and other | 87,506 | 65,200 |
| Consulting and legal expense | 424,631 | 192,088 |
| Insurance | 71,553 | 62,418 |
| Investor relations | 331,176 | 554,460 |
| Listing and registry fees | 61,140 | 93,459 |
| Occupancy expense | 449,661 | 227,069 |
| Printing and office supplies | 27,828 | 29,828 |
| Travel and accommodation | 346,772 | 355,958 |
| Sundry | 212,877 | 171,442 |
| Total other expenses | 2,581,694 | 2,238,576 |

3 FINANCE INCOME AND FINANCE COSTS

Accounting policy – Finance income and finance costs

Finance income includes interest revenue which is recognised on an accruals basis taking into account the interest rates applicable. It is recognised at the time the right to receive payment is established.

Finance costs include interest paid and amortised borrowing costs from financing arrangements. Costs incurred in relation to the arrangement are amortised using the effective interest method, over the life of the loan.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3 FINANCE INCOME AND FINANCE COSTS continued

| | 2017 \$ | 2016 \$ |
|-----------------------------|---------------|---------------|
| a) Finance income | | |
| Interest earned | 54,011 | 18,283 |
| Total finance income | 54,011 | 18,283 |
| b) Finance costs | | |
| Interest paid | 5,288 | 2,375 |
| Amortised borrowing costs | 72,817 | - |
| Total finance costs | 78,105 | 2,375 |

4 INCOME TAX

Accounting policy – income taxes

Deferred taxes are not recognised in the accounts. As the Group has significant carried forward tax losses, it does not have sufficient taxable temporary differences which will result in taxable amounts against which the unused tax losses can be utilised.

The amount of benefits which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the condition of deductibility imposed by the law.

Tax consolidation

Leigh Creek Energy Limited and its wholly owned Australian subsidiaries are part of a tax-consolidated group under Australian taxation law.

a) Numerical reconciliation of income tax expense to prima facie tax payable

| | | |
|--|-------------|-------------|
| Loss before income tax | (5,758,760) | (5,366,248) |
| Prima facie tax (benefit) on loss before income tax at 30% (2016: 30%) | (1,727,628) | (1,609,874) |
| Permanent differences: | | |
| Entertainment non deductible | 11,985 | 6,060 |
| Share based payments | 18,258 | 345,823 |
| Fair value adjustment for investments | (3,257) | - |
| Movement in unrecognised tax assets and liabilities | (421,243) | (607,015) |
| Tax loss not recognisable | 1,555,672 | 1,865,006 |
| Under/(Over) provided in prior year | 566,213 | - |
| Aggregate income tax expense | - | - |
| b) Tax losses | | |
| Unused tax losses for which no deferred tax asset has been recognised | | |
| Revenue losses | 15,819,969 | 14,264,297 |
| Capital losses | 50,729 | 34,803 |

The Group considers that in the future it will be generating taxable income to utilise carried forward tax losses, however, it does not meet the recognition criteria. Additionally, the carried forward tax losses can only be utilised in the future when taxable income is being generated, if the continuity of ownership test is passed, or failing that, the same business test is passed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

5 CASH ASSETS

Accounting policy – Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call and term deposits with banks.

| | 2017 \$ | 2016 \$ |
|--|------------------|------------------|
| i) Cash and cash equivalents | | |
| Bank balances and short term deposits ¹ | 8,757,787 | 8,787,946 |
| Cash and cash equivalents in the statement of cashflows | 8,757,787 | 8,787,946 |
| <i>Notes:</i> | | |
| ⁽¹⁾ Includes \$111,832 of restricted cash to support a bond and credit card facility. | | |
| ii) Term deposits | | |
| Term deposits ¹ | 8,450,000 | - |
| Total term deposits | 8,450,000 | - |

Notes:

⁽¹⁾ Term deposits comprise cash balances with an original maturity of less than three months.

6 TRADE AND OTHER RECEIVABLES

Accounting policy – Trade and other receivables

Trade receivables are recognised initially at fair value. At balance date, no receivables were considered to be outstanding or impaired

| | | |
|--|------------------|----------------|
| Trade debtors | 26,400 | - |
| GST recoverable | 127,032 | 70,870 |
| Prepayments | 23,142 | 68,918 |
| R&D tax incentive receivable | 2,135,457 | 43,871 |
| Other debtors | 46,721 | 26,228 |
| Total Trade and other receivables | 2,358,752 | 209,887 |

7 PROPERTY, PLANT AND EQUIPMENT

Accounting policy – Property, plant and equipment

Each class of property, plant and equipment is carried at cost, where applicable, less any accumulated depreciation and impairment losses.

i) Plant and equipment

Plant and equipment are shown at historical cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7 PROPERTY, PLANT AND EQUIPMENT *continued*

ii) *Depreciation*

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

| | |
|-------------------------|--------|
| • Plant and equipment | 5-33% |
| • Office equipment | 10-50% |
| • Motor vehicles | 15% |
| • Leasehold improvement | 45% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets (including impairment provision) and are recognised in the profit or loss with Other Income or Other Expenses.

| | 2017 \$ | 2016 \$ |
|--|----------------|----------------|
| Cost | | |
| Balance at 1 July 2016 | 515,695 | 541,943 |
| Additions | 126,956 | 53,745 |
| Transfers | 115 | - |
| Disposals | (136,594) | (79,993) |
| Balance at 30 June 2017 | 506,172 | 515,695 |
| Accumulated depreciation & impairment | | |
| Balance at 1 July 2016 | 303,470 | 337,585 |
| Impairment balance | 99,285 | 125,788 |
| Depreciation | 39,873 | 35,664 |
| Transfers | 115 | - |
| Impairment movement | (55,968) | (26,503) |
| Disposals | (101,323) | (69,779) |
| Balance at 30 June 2017 | 285,452 | 402,755 |
| Carrying amounts | | |
| At 1 July 2016 | - | 112,940 |
| At 30 June 2017 | 220,720 | - |

8 EXPLORATION AND EVALUATION EXPENDITURE

Accounting policy – 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.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Accumulated costs, in relation to an abandoned area, are written off in full against profit in the period in which the decision to abandon the area is made.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

8 EXPLORATION AND EVALUATION EXPENDITURE *continued*

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Balance at opening | 2,450,480 | 710,667 |
| Licence fees | 7,198 | 5,631 |
| Costs capitalised for Feasibility Studies | 503,987 | 87,513 |
| Costs capitalised for LCEP | 5,950,201 | 1,690,540 |
| Less R&D tax concession rebates | (2,926,141) | (43,871) |
| Total exploration and evaluation expenditure | 5,985,725 | 2,450,480 |

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 received during the year is a refundable tax credit and has been credited to Exploration and Evaluation capitalised expenditure (\$790,684). Additionally, the Company has booked a receivable (\$2,135,457) in relation to eligible R&D expenditure for the period up to and including 30 June 2017 which has been reviewed externally to ensure it is in accordance with the Advance Finding criteria.

9 TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

| | | |
|---------------------------------------|------------------|----------------|
| Trade payables | 1,036,393 | 295,089 |
| Other payables | 502,013 | 246,641 |
| Accruals | 118,562 | 123,981 |
| Total Trade and other payables | 1,656,968 | 665,711 |

10 BORROWINGS

Accounting policy – Borrowings

Borrowings are recognised initially at fair value less attributable transaction and finance costs.

Subsequent to initial recognition, Borrowings and loans are stated at amortised cost, with any difference between cost and redemption value being recognised in the profit or loss over the period of the loan on an effective interest basis. Loans with a determinable payment due less than twelve months from reporting date are classified as current liabilities.

Transaction and finance costs include ancillary costs incurred in connection with the arrangement of loans, interest payable and facility line fees payable on the loan.

Current

| | | |
|------------------------------|------------------|----------|
| R&D working capital facility | 1,540,049 | - |
| Total loans | 1,540,049 | - |

Loans

| | | |
|--|------------------|----------|
| R&D working capital facility – available | 2,000,000 | - |
| R&D working capital facility – undrawn | (390,000) | - |
| Loans - drawn | 1,610,000 | - |
| Less : unamortised transaction costs | (69,951) | - |
| Carrying amount at 30 June 2017 | 1,540,049 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

10 BORROWINGS continued

In February 2017, the Company announced that it had established a Research and Development Working Capital Facility (R&D working capital 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 by providing a progressive drawdown of eligible project expenditure up to \$4m. Under the terms of the facility, CBA will be repaid from the proceeds of the Company's taxation return rebate within 12 months from the date the agreement was signed.

Prior to the first drawdown in April 2017, the R&D working capital facility limit was revised downwards to \$2m to reflect estimated eligible project expenditure up to 30 June 2017.

11 EMPLOYEE REMUNERATION

a) Employee benefits expense

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Wages, salaries (inc on-costs) | 2,890,950 | 2,207,625 |
| Superannuation | 219,642 | 214,855 |
| Share based payments | 60,860 | 706,366 |
| Total employee benefit liability | 3,171,452 | 3,128,846 |

Under the Company's Accounting for Exploration policy, labour costs relating to the LCEP are capitalised. The total staff cost was \$5,208,931 (2016: \$4,358,081).

b) Share based employee remuneration

Accounting policy – share based payment plans

Share based compensation benefits are provided to employees of the Company. The fair value of the options granted under the plan is recognised as an employee benefit expense with a corresponding increase in equity (Share Option Reserve). The fair value is measured at grant date and recognised over the period during which the employees become entitled to the underlying options.

The fair value at issue date is calculated using the Trinomial option pricing model that takes into account the share price at issue date, the exercise price, the term until expiry, estimate of implied volatility, the vesting and performance criteria and the non-tradeable nature of the option. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable.

(i) Number of options issued to employees during the year

| | 2017 | 2016 |
|--------------------------------------|-------------------|-------------------|
| Outstanding at beginning of the year | 14,250,000 | 750,000 |
| Forfeited | (2,000,000) | (750,000) |
| Issued | 4,195,000 | 14,250,000 |
| Exercised | - | - |
| Total Options | 16,445,000 | 14,250,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

11 EMPLOYEE REMUNERATION continued

| | Plan 1 | Plan 2 | Plan 3 |
|-----------------------------------|--|---------------------------|---------------------------|
| <i>(ii) Valuation assumptions</i> | | | |
| Grant date | 15 October 2015 | 1 December 2015 | 1 December 2015 |
| Number issued | 2,000,000 | 2,000,000 | 10,250,000 |
| Share price at grant date | \$0.17 | \$0.23 | \$0.23 |
| Volatility (average) ⁵ | 70% | 70% | 70% |
| Fair value at issue date | \$0.08 | \$0.02 | \$0.04 |
| Exercise price | \$0.212 ¹ , \$0.25 ² | \$1.50 | \$0.30 |
| Exercisable from | 22 October 2015 | 31 July 2016 ³ | 31 July 2016 ³ |
| Exercisable to | 14 October 2020 ⁴ | 31 July 2020 | 30 November 2020 |

Notes:

⁽¹⁾ Exercise price for Tranche 1 was the greater of \$0.20 and 10% premium to the 5 day VWAP up to 26 May 2015.

⁽²⁾ Exercise price for Tranche 2 was the greater of \$0.25 and 20% premium to the 5 day VWAP up to 26 May 2015.

⁽³⁾ Options vest at 25% per year on 31 July 2016, 31 July 2017, 31 July 2018 and 31 July 2019 if vesting conditions (milestones) are achieved.

⁽⁴⁾ Tranche 1 expiry date is 14 October 2019, and Tranche 2 expiry date is 14 October 2020.

⁽⁵⁾ A volatility curve was used for calculations.

| | Plan 4 | Plan 5 |
|-----------------------------------|---------------------------|-----------------|
| Grant date | 11 July 2016 | 4 October 2016 |
| Number issued | 195,000 | 4,000,000 |
| Share price at grant date | \$0.19 | \$0.13 |
| Volatility (average) ² | 70% | 70% |
| Fair value at issue date | \$0.04 | \$0.03 |
| Exercise price | \$0.49, \$0.30 | \$0.35, \$0.45 |
| Exercisable from | 11 July 2016 ¹ | 10 October 2016 |
| Exercisable to | 30 November 2020 | 10 October 2021 |

Notes:

⁽¹⁾ Options vest at 25% per year on 31 July 2016, 31 July 2017, 31 July 2018 and 31 July 2019 if vesting conditions (milestones) are achieved.

⁽²⁾ A volatility curve was used for calculations.

c) Employee benefits

Accounting policy – Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. These benefits include wages, salaries and annual leave. Where these benefits are expected to be settled within 12 months of the reporting date, they are measured at the amounts expected to be paid when the liabilities are settled. The provision has been recognised at the undiscounted amount expected to be paid.

In relation to employee benefits arising for employees directly involved in the exploration project, these indirect costs have been capitalised to the project.

| | 2017 \$ | 2016 \$ |
|---|----------------|----------------|
| Liability for annual leave | 198,569 | 124,519 |
| Provision for bonus | 99,930 | - |
| Total employee benefit liability | 298,499 | 124,519 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

12 ISSUED CAPITAL

Accounting policy – Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares is shown in equity as a deduction from the proceeds.

The company has granted unlisted options to employees in respect of their employment contracts. The fair value of the options granted is recognised as an employee benefits expense with a corresponding increase in equity (Share Option Reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to exercise the option. Fair value is determined by the use of a Trinomial option pricing model.

a) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. All issued shares are fully paid. All unissued shares are ordinary shares of the Company.

| | 2017 \$ | 2016 \$ |
|----------------------------------|-------------------|-------------------|
| 332,368,051 (2016 : 265,894,441) | | |
| Ordinary shares | 43,009,130 | 33,693,367 |
| Share issue costs | (1,909,096) | (1,331,647) |
| Total issued capital | 41,100,034 | 32,361,720 |

Additional shares were issued during 2017 in relation to capital raising activities. In March 2017, China New Energy Group Limited signed an agreement to acquire 150 million shares in the Company in three tranches. Tranches one and two (52.8 million shares and \$7.5 million) were completed during the year. Additionally, the Company has placed 13.7 million shares with sophisticated and professional investors.

b) Detailed table of capital issued during the year

| Type of share issue | Date of issue | No of ordinary shares on issue | Issue price \$ | Share capital \$ |
|-----------------------------|---------------|--------------------------------|-------------------|---------------------|
| Opening balance 1 July 2016 | | 265,894,441 | | 32,361,720 |
| Share issue | 4 April 2017 | 43,685,181 | \$0.135 | 5,897,499 |
| Share issue | 12 May 2017 | 22,788,429 | \$0.150 | 3,418,265 |
| Share issue costs | | | | (577,450) |
| Issued capital | | 332,368,051 | | 41,100,034 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

12 ISSUED CAPITAL continued

c) Unlisted Options

| Expiry date | Exercise price | Number of shares |
|------------------|----------------|-------------------|
| 31 October 2018 | \$0.20 | 1,500,000 |
| 31 October 2018 | \$0.22 | 1,500,000 |
| 31 October 2018 | \$0.24 | 1,500,000 |
| 31 October 2018 | \$0.26 | 1,500,000 |
| 11 May 2019 | \$0.30 | 1,500,000 |
| 14 October 2019 | \$0.212 | 1,000,000 |
| 14 October 2020 | \$0.25 | 1,000,000 |
| 31 July 2020 | \$1.50 | 1,500,000 |
| 30 November 2020 | \$0.30 | 8,790,000 |
| 30 November 2020 | \$0.49 | 155,000 |
| 8 May 2021 | \$0.30 | 800,000 |
| 10 October 2021 | \$0.35 | 2,000,000 |
| 10 October 2021 | \$0.45 | 2,000,000 |
| Total | | 24,745,000 |

At the end of the financial year, unissued shares of the Group under option are:

Options granted under the Employee Share Option Plan will expire on the earlier of the expiry date or termination of the employee's employment (unless the employee is a retiring director). For employees that are made redundant, their future tranches are still able to vest (if existing conditions are met) and the existing expiry date remains.

d) Listed Options

A number of listed options were issued as part of the prospectus for the capital raising finalised in May 2016.

At the end of the financial year, unissued shares of the Group under option are:

| Expiry date | Exercise price | Number of shares |
|-------------|----------------|------------------|
| 6 June 2018 | \$0.50 | 17,687,463 |

All options expire on the expiry date. There are no vesting conditions.

e) Capital Management

Management objectives when managing capital are to ensure that the Group can fund the development of its operations.

The Group manages the capital structure and makes adjustments to it in light of the forecast cash requirements of the development programme. To that end, internal capital rationing is complemented by capital raising activities as required to ensure funding for development activities is in place.

There are no externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

13 RESERVES*Accounting policy - Reserves*

The share option reserve is used to recognise the fair value of options granted to employees and consultants but not exercised. Upon exercise of the options, the proceeds are allocated to share capital.

| | 2017 \$ | 2016 \$ |
|-----------------------|------------------|------------------|
| Share option reserve | 1,456,144 | 1,395,284 |
| Total reserves | 1,456,144 | 1,395,284 |

A breakdown of the share option reserve is as follows¹:

| | No of options | 2017 \$ |
|------------------|-------------------|------------------|
| Directors | 4,750,000 | 137,127 |
| Employees | 7,490,000 | 393,430 |
| Former employees | 4,205,000 | 236,669 |
| Consultants | 8,300,000 | 688,918 |
| Total | 24,745,000 | 1,456,144 |

Notes:

¹ See also Note 11 Employee Remuneration for factors considered in the fair value calculation.

14 COMMITMENTS FOR EXPENDITURE*a) Accounting policy - Operating leases*

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The Company does not have any leases over property, plant or equipment where lease arrangements would be classed as finance leases.

| | 2017 \$ | 2016 \$ |
|--|------------|------------|
| Operating lease commitment | | |
| Not longer than 1 year | 296,687 | 163,577 |
| Longer than 1 year and not longer than 5 years | 31,043 | 27,773 |

The Group has no contingent liabilities at the year end.

b) Accounting policy - Capital commitments

Capital commitments relates to expenditure commitments for the Leigh Creek Energy Project (LCEP) outstanding at balance date.

| | | |
|----------------------------|-----------|---------|
| Leigh Creek Energy Project | 1,344,730 | 790,356 |
|----------------------------|-----------|---------|

Under the terms of tenement registration and renewal, tenements have commitments to work requirements.

The commitment to work requirements at Leigh Creek is included above.

There are no other commitments at balance date for expenditure by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

15 FINANCIAL ASSETS & LIABILITIES

Accounting policy – Financial assets & liabilities

Recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit or loss.

a) Categories of financial assets and liabilities

The carrying amount of financial assets and liabilities in each category are as follows:

| Financial assets | Note | Assets at fair value through profit or loss | Financial assets at amortised cost | Total |
|-----------------------------|------|---|------------------------------------|-----------|
| 30 June 2017 | | | | |
| Other financial assets | | - | - | - |
| Trade and other receivables | 6 | - | - | - |
| Cash and cash equivalents | 5 | - | 8,757,787 | 8,757,787 |
| | | - | 8,757,787 | 8,757,787 |
| Financial liabilities | Note | Designated at fair value through profit or loss | Other liabilities | Total |
| 30 June 2017 | | | | |
| Current borrowings | 10 | - | 1,610,000 | 1,610,000 |
| Trade and other payables | 9 | - | 1,538,406 | 1,538,406 |
| | | - | 3,148,406 | 3,148,406 |
| Financial liabilities | Note | Assets at fair value through profit or loss | Financial assets at amortised cost | Total |
| 30 June 2016 | | | | |
| Other financial assets | | 16,030 | - | 16,030 |
| Trade and other receivables | | - | - | - |
| Cash and cash equivalents | 5 | - | 8,787,946 | 8,787,946 |
| | | 16,030 | 8,787,946 | 8,787,946 |
| Financial liabilities | Note | Designated at fair value through profit or loss | Other liabilities | Total |
| 30 June 2016 | | | | |
| Current borrowings | | - | - | - |
| Trade and other payables | 9 | - | 541,730 | 541,730 |
| | | - | 541,730 | 541,730 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

15 FINANCIAL ASSETS & LIABILITIES *continued*

b) Measurement

a. *Financial assets at fair value through profit and loss (FVTPL)*

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions.

b. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost.

i. *Treasury Risk Management*

The risk management of treasury functions is managed by the Audit and Risk Committee.

ii. *Finance Risks*

The Group's financial instruments are exposed to a variety of financial risks, being Market risk (Interest rate and Price risk), Credit risk and Liquidity risk. The Group operates mainly in Australia and as such is not subject to foreign exchange risk.

Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and liabilities, is summarised in the table above.

Sensitivity: At June 30, 2017, if interest rates on cash and term deposits had changed by +/- 10 basis points from the year end rates with all other variables held constant post tax loss and total equity would have been \$5,410 more/less as a result of lower/higher interest income.

At June 30, 2017, if interest rates on borrowings had changed by +/- 10 basis points from the year end rates with all other variables held constant post tax loss and total equity would have been \$286 more/less as a result of lower/higher interest expense.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligation that could lead to a financial loss to the Group. The Group's maximum exposure to credit risk is its cash and cash equivalents and receivables as noted in the table above. The group manages its credit risk by depositing with reputable licenced banks.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate sources of funding are available.

Maturity of the group's financial liabilities is within 1 year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

16 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | 2017 \$ | 2016 \$ |
|---------------------------------------|------------|------------|
| Bank balances and short term deposits | 8,757,787 | 8,787,946 |

The weighted average effective interest rate on bank deposits is 1.88% (2016: 1.13%). All deposits are for less than 12 months.

b) Reconciliation of Cash Flow from Operations with Loss after Tax

| | | |
|---|--------------------|--------------------|
| Loss after income tax | (5,758,760) | (5,366,248) |
| Cash flows excluded from loss attributable to operating activities: | | |
| Non-cash flows in operating loss | | |
| Depreciation expense | 35,251 | 35,664 |
| Share based payments | 60,860 | 1,152,745 |
| Impairment change | (55,968) | - |
| Fair value assets change | (10,875) | - |
| Change in assets and liabilities | | |
| Decrease/(Increase) in receivables / prepayments | (13,407) | (108,270) |
| Increase/(Decrease) in payables | 994,260 | 307,441 |
| Increase/(Decrease) in provisions | 173,980 | 103,716 |
| Net Cash (used in) / provided by operating activities | (4,574,659) | (4,003,528) |

17 PARENT ENTITY DISCLOSURES

a) Investment in controlled entities

| Entity | Country of incorporation | Class of share | Interest held | |
|---|--------------------------|----------------|---------------|------|
| | | | 2017 | 2016 |
| Bonanza Gold Pty Ltd | Australia | Ordinary | 100% | 100% |
| Leigh Creek Operations Pty Ltd ¹ | Australia | Ordinary | 100% | 100% |

Notes:

⁽¹⁾ Name of this Company changed from ARP TriEnergy Pty Ltd on 6 March 2017.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

17 PARENT ENTITY DISCLOSURES continued

b) Parent entity information

| | 2017 \$ | 2016 \$ |
|-----------------------------------|--------------------|--------------------|
| Parent Entity | | |
| Asset | | |
| Current assets | 10,953,732 | 8,936,167 |
| Non-current assets | 4,407,387 | 1,868,783 |
| Total assets | 15,361,119 | 10,804,950 |
| Liabilities | | |
| Current liabilities | 2,265,234 | 790,230 |
| Non-current liabilities | - | - |
| Total liabilities | 2,265,234 | 790,230 |
| Equity | | |
| Issued capital | 65,640,664 | 56,000,502 |
| Share option reserve | 1,618,294 | 1,557,434 |
| Accumulated losses | (54,163,073) | (47,543,216) |
| Shareholder equity | 13,095,885 | 10,014,720 |
| Financial performance | | |
| Profit (loss) for the year | (5,758,760) | (5,366,248) |
| Other comprehensive income | - | - |
| Total comprehensive income | (5,758,760) | (5,366,248) |

The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

18 RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel compensation

Key management of the Group are the executive members of the Group's Board of Directors and members of the management team. Key management personnel remuneration includes the following expenses:

| | | |
|------------------------------------|------------------|------------------|
| Total short term employee benefits | 1,357,635 | 1,435,513 |
| Total post-employment benefits | 445,137 | 133,226 |
| Share based payments | (22,816) | 617,554 |
| Total Remuneration | 1,779,956 | 2,186,293 |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting year.

b) Other transactions with key management personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those to other parties, unless otherwise stated:

- i) Piper Alderman lawyers were paid \$78,015 (2016 : \$Nil) for legal services rendered to the Group. Greg English is a partner at Piper Alderman lawyers.
- ii) ARK Energy Ltd has a service agreement in place with the Company for facilities and accounting services. Fees rendered to the Company were \$32,586. Mr Philip Staveley is a director of ARK Energy Ltd.
- iii) A related party purchased second hand goods from the Company in an arm's length transaction totalling \$1,932. The party is related to Mr Peters, Executive Chairman.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19 AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the Auditor of the Group:

| | 2017 \$ | 2016 \$ |
|----------------------------|------------|------------|
| Auditing & review services | 44,937 | 42,830 |
| Other services | - | - |

20 EARNINGS PER SHARE

Accounting policy – Earnings per share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit (loss) attributable to equity holders excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assuming conversion of all dilutive potential ordinary shares.

| | 2017 \$ | 2016 \$ |
|--|--------------------|--------------------|
| Loss used to calculate basic EPS | (5,758,760) | (5,366,248) |
| Basic earnings per share – cents per share | (0.02) | (0.02) |
| Diluted earnings per share – cents per share | (0.02) | (0.02) |
| Weighted average number of shares used as denominator | | |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 279,894,514 | 228,247,299 |
| Shares deemed to be issued for no consideration in respect of share based payments | 24,745,000 | 20,250,000 |
| Listed options issued for no consideration | 17,687,463 | 17,687,463 |
| Weighted average number of shares used in diluted earnings per share | 322,326,977 | 266,184,762 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**21 MATTERS SUBSEQUENT TO THE END OF THE YEAR**

1. Employee Share Options were issued on 11 August 2017 – total of 636,000 options issued at an exercise price of \$0.30, expiring on 30 November 2020.
2. China New Energy Group Limited's Mr Zhe Wang was appointed as a non-executive director effective from 1 July 2017.
3. Extraordinary General Meeting was held on 21 July 2017 to approve tranche 1 and tranche 2 placement by CNE.
4. The Company announced on 11 August 2017 that CNE's tranche 3 investment will be split into two payments; the first being 17 million shares at \$0.15 for a total of \$2,550,000 on 15 August 2017 increasing CNE's shareholding in the Company to 19.98% upon issue of the underlying shares. The second payment (balance of \$10 million) will increase CNE's shareholding above 20% and as such shareholder approval will be required at a requisitioned General Meeting.
5. On 15 August 2017 the term of the CBA working capital facility was extended to April 2019 and the limit increased from \$2 million to \$6.5 million, subject to the satisfaction of agreed conditions precedent.

22 COMPANY DETAILS

The registered office and principal place of business is:

Leigh Creek Energy Limited
Level 11, 19 Grenfell Street
Adelaide, South Australia 5000

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Independent Audit Report



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170 Frome Street
Adelaide, SA 5000
Correspondence to:
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Adelaide SA 5001

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E info.sa@au.gt.com
W www.granthornton.com.au

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LEIGH CREEK ENERGY LIMITED**

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Leigh Creek Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Audit Report



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Valuation of Exploration and Evaluation Assets Note 8</p> <p>At 30 June 2017 the carrying value of Exploration and Evaluation Assets was \$5.986 million.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the valuation of exploration and evaluation assets being a significant risk.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • Reviewing management's area of interest considerations against AASB 6; • Conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including: <ul style="list-style-type: none"> - Tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed; - Enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of managements' budgeted expenditure; - Understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; and • Reviewing the appropriateness of the related disclosures within the financial statements. |

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Independent Audit Report



Grant Thornton

In preparing the financial report, the Directors are responsible for assessing the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 28 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Leigh Creek Energy Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized signature of Grant Thornton in cursive script.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized signature of I S Kemp in cursive script.

I S Kemp
Partner - Audit & Assurance

Adelaide, 17 August 2017

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SHAREHOLDER INFORMATION ...

SUBSTANTIAL SHAREHOLDERS AT 7 AUGUST 2017

| Name | Fully Paid Shares | Ordinary Shares % | Options | Options % |
|----------------------------------|-------------------|-------------------|---------|-----------|
| Allied Resource Partners Pty Ltd | 104,767,190 | 31.52 | - | - |
| China New Energy Limited | 52,788,429 | 15.88 | - | - |
| CITIC Australia Pty Ltd | 17,242,855 | 5.19 | - | - |

DISTRIBUTION OF SHAREHOLDINGS AT 7 AUGUST 2017

Number of security holders by size of holding:

| Range | Total Holders Shares | Number of Shares | Total Holders Listed Options | Number Of Listed Options |
|------------------|-------------------------|---------------------|---------------------------------|-----------------------------|
| 1 – 1,000 | 445 | 232,241 | - | - |
| 1,001 – 5,000 | 638 | 1,700,430 | 1 | 3,333 |
| 5,001 – 10,000 | 347 | 2,789,751 | 10 | 83,331 |
| 10,001 – 100,000 | 716 | 27,725,813 | 91 | 3,979,975 |
| 100,001 and over | 285 | 299,919,816 | 29 | 13,620,824 |
| TOTAL | 2,431 | 332,368,051 | 131 | 17,687,463 |

The issued capital of the Company is fully paid ordinary shares (entitling the holders to participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held) and listed options. On a show of hands every holder of the shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share counts as one vote. Holders of listed options do not have any entitlements to vote or receive dividends.

At 7 August 2017 a marketable parcel constituted 4,545 shares. The number of shareholders holding less than a marketable parcel was 1,001 (1,527,106 shares).

TWENTY LARGEST SHAREHOLDERS AT 7 AUGUST 2017

| Name | Fully Paid Ordinary Shares | % of Issued Capital |
|---|-------------------------------|------------------------|
| Allied Resource Partners Pty Ltd | 104,767,190 | 31.52 |
| China New Energy Group Limited | 52,788,429 | 15.88 |
| CITIC Australia Pty Ltd | 17,242,855 | 5.19 |
| HSBC Custody Nominees (Australia) Limited | 8,166,637 | 2.46 |
| One Design & Skiff Sails Pty Ltd (I W Brown Super Fund A/C) | 5,167,137 | 1.55 |
| HSBC Custody Nominees (Australia) Limited – A/C 2 | 4,483,528 | 1.35 |
| JP Morgan Nominees Australia Limited | 4,164,140 | 1.25 |
| Mr Nicholas James Redpath | 2,528,999 | 0.76 |
| AET SFS Pty Ltd (Peak Opportunities Fund) | 2,222,222 | 0.67 |
| Holegata Pty Ltd (Holegata Super Fund A/C) | 1,959,620 | 0.59 |
| National Nominees Limited (DB A/C) | 1,666,930 | 0.50 |
| Bart Properties Pty Ltd (Scott Flynn Family A/C) | 1,666,666 | 0.50 |
| Lawry Super Nominees Pty Ltd (Lawry Family Super Fund A/C) | 1,635,555 | 0.49 |
| FMS Pty Ltd (SM Appleyard S/F A/C) | 1,537,400 | 0.46 |
| JED Trading Pty Ltd | 1,481,481 | 0.45 |
| Roxtrus Pty Ltd (Roxanne Dunkel Trust No 2) | 1,481,481 | 0.45 |
| Allsop Family Pty Ltd (Allsop Family No 2 A/C) | 1,450,000 | 0.44 |
| Telemark International Pty Ltd | 1,424,454 | 0.43 |
| Coopster Pty Limited (Coopster Family A/C) | 1,396,003 | 0.42 |
| Allua Holdings Pty Ltd (The Drg A/C) | 1,250,000 | 0.38 |
| Totals Top 20 | 218,480,727 | 65.74 |
| Total Remaining Holders Balance | 113,887,324 | 34.36 |

TWENTY LARGEST LISTED OPTION HOLDERS AT 7 AUGUST 2017

| <i>Name</i> | <i>Listed Options</i> | <i>% of Options</i> |
|---|-----------------------|---------------------|
| HSBC Custody Nominees (Australia) Limited | 3,350,000 | 18.94 |
| HSBC Custody Nominees (Australia) Limited – A/C 2 | 1,665,000 | 9.41 |
| Bart Properties Pty Ltd (Scott Flynn Family A/C) | 833,333 | 4.71 |
| National Nominees Limited (DB A/C) | 833,333 | 4.71 |
| Court Wise Pty Ltd | 650,000 | 3.67 |
| Vesterbo Pty Ltd (J Jorgensen Super Fund A/C) | 597,666 | 3.38 |
| Mr Jorgen Ulrik Jorgensen | 550,000 | 3.11 |
| Mrs Siobhan Kathleen Hotz | 481,665 | 2.72 |
| Mr Benjamin Neil Lindsay | 427,500 | 2.42 |
| Mrs Snezana Ivanovska | 400,000 | 2.26 |
| Mr Richard Crawford Grooms | 350,000 | 1.98 |
| Citicorp Nominees Pty Ltd | 333,333 | 1.88 |
| Merrill Lynch (Australia) Nominees Pty Limited | 333,333 | 1.88 |
| Allsop Family Pty Ltd (Allsop Family No 2 A/C) | 250,000 | 1.41 |
| UBS Nominees Pty Ltd | 250,000 | 1.41 |
| Equipment Company of Australia Pty Limited | 241,666 | 1.37 |
| Mr Jan-Per Hole | 221,666 | 1.25 |
| April Rose Pty Ltd (Bloom Super Fund A/C) | 210,000 | 1.19 |
| Mr Christopher Bayliss + Mrs Lynda Bayliss (Bayliss Super Fund A/C) | 166,666 | 0.94 |
| Jennifer Arnold Pty Limited (The Arnold Super Fund A/C) | 166,666 | 0.94 |
| Linor Pty Ltd (P E Giblin P/L SBF A/C) | 166,666 | 0.94 |
| Purflem Super Pty Ltd (Flemming Promotions S/F A/C) | 166,666 | 0.94 |
| Totals Top 20 | 12,645,159 | 71.46 |
| Total Remaining Holders Balance | 5,042,304 | 28.54 |

UNISSUED EQUITY SECURITIES

| | <i>Number</i> |
|------------------|---------------|
| Unlisted options | 24,256,250 |
| Listed options | 17,687,463 |

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange.

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Directors

Daniel Justyn Peters
Executive Chairman

Greg D English
Non-Executive Director

Murray K Chatfield
Non-Executive Director

Zhe Wang
Non-Executive Director

Company Secretary
Jordan Mehrtens

**Registered & Principal
Business Office**

Level 11, 19 Grenfell Street
Adelaide, South Australia 5000

Bankers

Commonwealth Bank of Australia
96 King William Street
Adelaide, South Australia 5000

Auditors

Grant Thornton Audit Pty Ltd
Level 3, 170 Frome Street
Adelaide, South Australia 5000

Principal Lawyers

Piper Alderman
Level 16, 70 Franklin Street
Adelaide, South Australia, 5000

Share Registry

Computershare Registry Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia, 5000

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ASX Code

LCK

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LEIGH CREEK ENERGY



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