



15 December 2015

Manager Companies
Companies Announcements Office
Australian Stock Exchange Limited

LEIGH CREEK ENERGY LIMITED

ASX ANNOUNCEMENT

LCK signs Heads of Agreement with APA for Gas Pipeline Connection

The Heads of Agreement covers:

- The development of conceptual plans for the interconnection of LCEP to the Eastern Australia gas markets
- Identifying the most likely route for the interconnection pipeline;
- Reviewing the transport charges to deliver gas to market;
- Reviewing the gas storage potential at the LCEP;
- Reviewing other infrastructure opportunities including power generation.

Background and Summary

Leigh Creek Energy Limited ("LCK") is pleased to announce that it has signed a non-binding Heads of Agreement ("HOA") with APT Pipelines Limited, a subsidiary of APA Group ("APA", ASX: APA), which will allow the development of conceptual plans for the interconnection of the Leigh Creek Energy Project ("LCEP") with the east coast gas markets.

This is a major milestone in the development of the LCEP.

The HOA will be effective for at least six months and up to 2 years. Under the HOA, LCK and APA will work together to:

- Develop conceptual plans for the interconnection of LCEP to the eastern Australian gas markets;
- Identify the most likely route for the interconnection pipeline;
- Review the transport charges to deliver gas to market;
- Review the gas storage potential at the LCEP; and
- Review other infrastructure opportunities including power generation.

Major Milestone in Infrastructure Development

Pipeline

This agreement represents a major milestone for LCK. The studies to be completed under this HOA constitute the first stage of the development of the pipeline required to bring LCEP gas to market. That market is the supply constrained eastern Australian gas market including the LNG facilities at Gladstone. Working with APA on this project is an affirmation of LCK's commitment to working with tier 1 partners.

The scope and timing of the studies fall within the LCEP deadlines required to be met in order to reach initial gas flaring in 2016 and commercial production in 2019.

Gas Storage

Gas storage at Leigh Creek represents an exciting opportunity for LCK.

Although this is a secondary focus, LCK considers gas storage at the LCEP to be a potential value adding opportunity.

Storage reservoirs are used to store gas on behalf of customers during periods of seasonal low gas demand. The gas stored is withdrawn from storage during periods of high demand and to support variable demand loads such as gas fired peak power generation.

The recent \$1.78 billion purchase of the Iona 27 PJ gas storage facility located in Victoria by Queensland Investment Corporation (from Energy Australia) has highlighted the potential financial benefit of this opportunity.

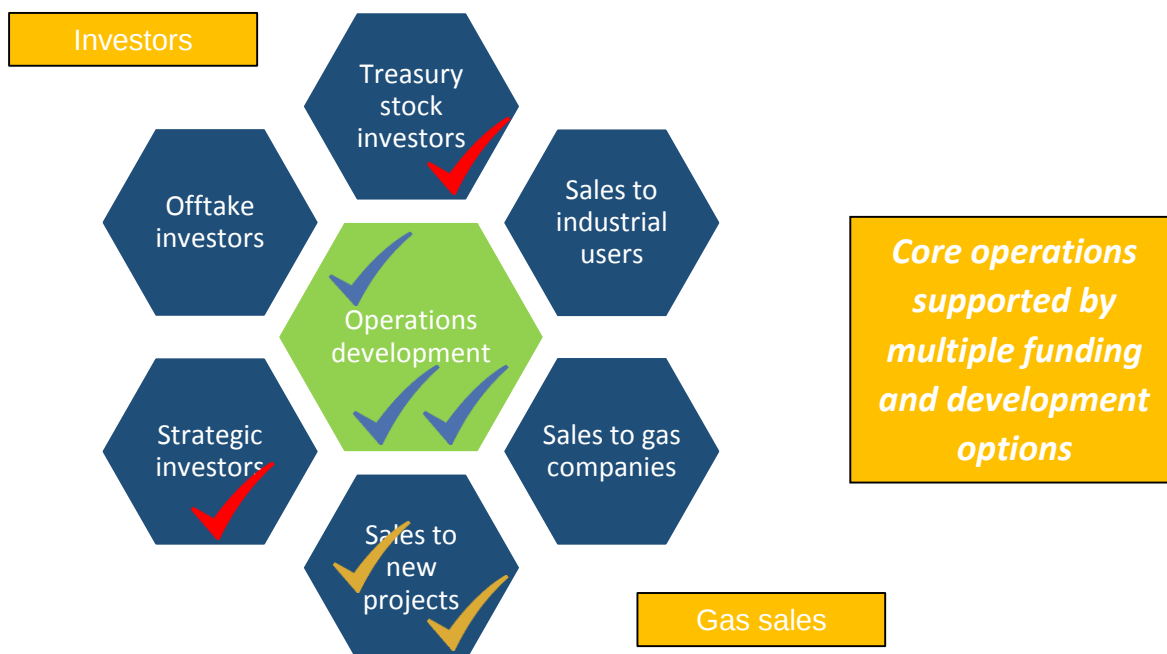
Gas storage at the LCEP has the potential to provide additional insurance over South Australia's energy security as gas can be dispatched from storage in the event that the Victorian interconnect is not operating on a day when wind is not dispatching (such as occurred as recently as November 2015).

Funding

Working with Tier 1 partners and service providers is a necessary part of LCK's strategy to pursue multiple funding opportunities with the ultimate intention of both reducing risk and enhancing shareholder returns. APA is clearly a preferred operator in the areas that are the subject of this HoA.

Strategic Fit

The execution of this Heads of Agreement marks another milestone in the achievement of our strategic objectives as first illustrated in the LCK quarterly from June 2015.



The three blue ticks represent the locating of significant historic drill data, originally believed to be lost, the attainment of the initial JORC Resources and this HoA with APA. The two gold ticks represent the heads of agreement with AET Investments and Archer Exploration to develop a chemical/fertilizer facility and a magnesia project respectively. The two red ticks represents the recent announcement of the strategic advisory agreement with EAS Advisors LLC and the sale of some treasury stock to investors.

Commenting on the HOA with APA, Mr Peters Chairman of LCK said:

“With this HOA, LCK continues to meet its goals and deliver on its broader strategy. This is an exciting, and important, milestone in the development of the Leigh Creek Energy Project. Beyond the obvious operational progress, we are excited to be working with Australia’s largest natural gas infrastructure operator on how to best bring our gas to market and provide an additional source of gas to the supply constrained east coast gas market. This HOA will help accelerate the LCEP development timetable and provide added confidence to domestic buyers of gas and investors in LCK.

In addition to this development, the project development team has delivered the JORC compliant coal resource and is aiming to provide the gas certification results by the end of this year, which will complete a further milestone in the development of the LCEP.”

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About Leigh Creek Energy (LCK)

Leigh Creek Energy Limited is an emerging gas company focused on developing its Leigh Creek Energy Project (LCEP), located in South Australia. The LCEP will produce high value products such as methane and fertiliser from the remnant coal resources at Leigh Creek utilising In Situ Gasification technologies, and will provide long term growth and opportunities to the communities of the northern Flinders Ranges and South Australia.

The Company is committed to developing the LCEP using a best practice approach to mitigate the technical, environmental and financial project risks to as low as can be reasonably achieved.

For more information refer to LCK's website: www.lcke.com.au