Linc Energy Ltd Annual Report

ABN 60 076 157 045

for the year ended 30 June 2011

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Directors Mr Ken Dark

Acting Chairman
Mr Peter Bond
Managing Director
Mr Craig Ricato
Executive Director
Mr Oliver Yates

Non-Executive Director

Mr Jon Mathews

Non-Executive Director

Secretary Mr Brook Burke

Notice of Annual General Meeting The Annual General Meeting of Linc Energy Ltd

will be held at Brisbane Convention & Exhibition Centre

Corner Merivale & Glenelg Street South Bank, Brisbane, QLD

Time 3:00pm

Date Thursday, 24 November 2011

Principal registered office in Australia 32 Edward Street

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Share register Link Market Services

Level 15, 324 Queen Street

Brisbane Qld 4000

Telephone 07 3320 2291

Auditor KPMG

Level 16, 71 Eagle Street Brisbane Qld 4000

Bankers Bank of Western Australia Ltd

National Australia Bank Wells Fargo & Co

HSBC

Stock Exchange listings Linc Energy Ltd shares are listed on the Australian Securities Exchange

(ASX: LNC) and in the United States on the OTCQX (OTCQX: LNCGY).

Website address <u>www.lincenergy.com</u>

CHAIRMAN'S MESSAGE

Dear fellow shareholder,

It gives me great pleasure to report on the activities and progress of the company over the past year.

The focus has been placed on the most expeditious route to true commercialisation. The outcome of this process has seen the company enter a new era with a balanced position evenly spread across traditional coal, oil and gas deposits to be either developed or value added and on-sold. This is underpinned by our 'core' business of clean energy and clean fuel.

The company's entry into traditional oil production in the United States demonstrates the continuation of the entrepreneurial spirit on which the organisation was founded. Acquisition of resources that have substantial potential upside is one of the foundations and continuing cornerstones of company philosophy. We are already enjoying a modest and steady income stream from asset acquisitions in Wyoming and we are actively seeking to add additional capacity to this base. The Umiat (Alaska) project, although long term in nature, has the potential for an enormous upside. Add to this the company's continued drive towards enhancement and commercialisation of Underground Coal Gasification (UCG), Gas to Liquids (GTL), power generation, and the utilisation of high value UCG gas streams as part of an Enhanced Oil Recovery (EOR) process and one begins to understand we are building a fully-integrated energy solution for the future.

Our world UCG leadership was underlined by further technological advances at our demonstration facility near Chinchilla in Queensland, continued production of power at the world's only commercial UCG operation at Yerostigaz in Uzbekistan (which this year celebrates 50 years of production) and, in a world-first, we showcased our unique ability to produce ultra-clean synthetic diesel from UCG to GTL by using this fuel to drive across Australia from Chinchilla to Perth.

Safety of our workforce continues to be one of our driving forces. Our own internal workforce recorded zero lost time injuries (LTI) for the year. The only blemish was where an employee from one of our South Australian drilling contractors suffered an LTI from a minor injury sustained whilst carrying out cleaning duties. I would like to congratulate our staff for maintaining our high safety standards.

We continue to work at and believe we are achieving success in our relationships with our stakeholders including governments, contractors, landholders and investors throughout the world and we especially appreciate our strong local community support.

I would like to thank my fellow directors for their hard work and contribution over the past year and the Board wishes to record its thanks for the efforts of all Linc Energy employees throughout the world during what has been an especially busy period. In particular I would like to thank Chief Executive Officer Peter Bond for his energy, passion, vision and leadership of a great team of highly talented individuals now spanning multiple global locations. I would especially like to thank our shareholders for their continuing support as the company enters the next exciting phase of its operations.

Yours sincerely

Ken Dark Acting Chairman

MANAGING DIRECTOR'S REPORT

Dear shareholders.

This past year has been one of extraordinary achievements mixed with utter frustration. I firmly believe the foundations we have been building these past months will be one of the key reasons for Linc Energy's success long into our future. The key reason for this is that we have been restructuring Linc Energy and its business plan and actively building and empowering the team now executing this vision with passion and commitment. We are now starting to see these efforts begin to blossom.

In a nutshell, Linc Energy has now reorganised itself into three key divisions. Each of those divisions has in turn three to four key projects to execute to a commercial operation. Each of those individual operations could be large enough to not only sustain the company but grow it.

This model is not a departure from Linc Energy's core business as a Clean Coal (UCG) and Clean Energy (GTL) company. It's simply a better and more mature model to ensure we can grow and succeed in business whilst maintaining our options to pursue our future ambitions. It will allow us to manage a fast growing and dynamic business in a way that provides focus and empowers the business and the team of people that run it, so the company remains dynamic, entrepreneurial and intelligent in the execution of our key business plans.

The Linc Energy business model going forward will be as follows:

COAL CLEAN ENERGY OIL & GAS

What does Linc Energy's Coal division deliver?

Acquires, explores and develops the Company's coal resources to support UCG operations

What is our Coal platform?

- Ownership of 'stranded' coal assets suitable for commercial UCG operations in key global locations
- Delineation of traditionally mineable coal assets within our lease portfolio for monetisation

What is our immediate focus?

- Divest Teresa coal asset in Australia
- Divest additional non-core coal assets in Australia
- Continued acquisition of stranded coal assets suitable for UCG in key global locations
- Drilling programs upon Northern Leases (Queensland), SAPEX leases (South Australia), Powder River Basin leases (Wyoming) and Cook Inlet Basin leases (Alaska)

What does Linc Energy's Clean Energy division deliver?

UCG or other gasification processes combined with downstream operations

What is our Clean Energy platform?

- Underground Coal Gasification (UCG)
- Modularised Gas to Liquids (GTL)
- Power Generation
- Investment in emerging technologies (PowerHouse and AFC Energy fuel cells)
- Development of additional Downstream options (e.g. methanol)

What is our immediate focus?

- Commence UCG Gasifier 5 in Chinchilla
- Commence UCG operation in Wyoming
- Identify multiple commercial UCG opportunities globally solely for Linc Energy and/or with strategic partners

What does Linc Energy's Oil & Gas division deliver?

Production of traditional oil and aas

What is our Oil and Gas platform?

Oil and Gas production (focusing on the United States) from new and depleting known reservoirs using traditional and CO₂ Enhanced Oil Recovery (EOR) techniques

What is our immediate focus? PRODUCTION

- Alaska = Umiat = 50,000⁺ bpd
- Wyoming = EOR (CO₂) into Glenrock oil fields = 10,000⁺ bpd
- Gulf Coast = ERG + further acquisitions = 10,000⁺ bpd

EXPLORATION

• SAPEX (South Australia) = Oil and Gas Exploration Program = aim to identify commercial hydrocarbon reservoir to support 3,000⁺ bpd operation Linc Energy is focused around three key energy drivers.

Coal

The sale of certain coal assets will add immediate cash onto our balance sheet whilst we retain core coal assets for our clean coal UCG business. Linc Energy owns or controls approximately 23,829,437 acres (96,475 km²) of coal tenements globally.

Oil and Gas

Oil allows Linc Energy to develop a strong cash flow strategy. The potential to buy cost effective, cash flow positive oil assets, with the ability to increase production by operational expansion and EOR potential, coupled with a strong Australian dollar and low interest rates, is ideal at the moment. Oil will be a significant cash flow driver for the business for many years to come.

Clean Energy

Clean Energy is the future; otherwise the cost of energy will just continue to rise to the point that it will become unaffordable for the vast majority, which would be a disaster. It's one of the generational answers the world is seeking, and it has always been Linc Energy's goal to drive the development of its clean fuel technology so it's affordable and easy to replicate across multiple locations. Linc Energy's commitment is to continue to be at the forefront of delivering cleaner energy answers to be part of the solution, not the problem.

Our new business model will allow the company to grow faster and create cash flow faster, whilst growing a larger clean energy division at the leading edge of the world's energy solution mix.

This plan provides our shareholders with the enormous potential of both our Oil and Gas division and Coal division, whilst also securing the longer term potential of our significant Clean Energy division to pave the way for the next generation of energy. It's a dynamic and proactive business strategy that creates cash and growth today on our balance sheet via our coal sales, cash flow for years to come via oil and gas production, with cash flow and growth for generations ahead with the Clean Energy division.

I'm also very passionate that as we execute the new Linc Energy strategy, that we simultaneously grow an empowered and dynamic culture within Linc Energy with six key points driving the company's attitude. These are:

- 1. Focus That everyone in every role knows exactly what they should be doing and why they are doing it.
- 2. **Execution** To focus on what needs to be done and do it. Efficient, fast execution is the key to our success! Everyone in every role in the company understands the company's strategy and plan and how they immediately fit into that plan by what they do both now and in the future.
- 3. **Purpose and Measurement** That everyone in every role in Linc Energy has a set of objectives to focus on and that those objectives are measured at least every 90 days.
- 4. Rewards and Consequences That everyone knows that failure to achieve their key objectives will have consequences to Linc Energy as a whole, and therefore also for their teams and themselves personally. Our performance review process and employee incentive scheme will recognise performance against objectives as a key performance indicator for every member of staff
- 5. **Entrepreneurism and Empowerment** Linc Energy encourages and empowers its people to act entrepreneurially within their focus area and promotes all its managers to empower each person at every level of the business and encourage them to improve every level of the Linc Energy business.
- 6. **Communication and Culture** Linc Energy has a process to ensure that open communication is promoted and encouraged, with an avenue for everyone to voice their observations and thoughts at least every 90 days. On top of this, the company has a proactive means of communication via the corporate intranet, staff newsletters and *InvestorLinc*, but most of all, via our regular XGAP meetings and reviews.

You might wonder how we manage this and keep the company on track. The answer is a management tool I've introduced. Called XGAP, which is short for 'execution gap', this process provides us with a means of managing the gap between the setting of our key goals and the multiple points of execution required to achieve the goal. It is my aim to ensure that we as a company employ a set of key management tools to ensure focus on our key goals and that we are executing our plan to achieve these goals in smarter ways with shorter timeframes to drive costs down and achievements up. This process also becomes a great tool for the management team to ensure that the goals and objectives chosen are indeed the right goals and objectives at the right time.

It's impractical to go into too much detail regarding XGAP but in summary the key executive group come together every 90 days at an off-site workshop. We review what has happened in each division of the business and query whether those key managers have met their 90 day targets and if not, why not? At the 'why not' stage, the key 'blockages' are brainstormed by the whole group until resolved. Most times the problems that stopped a manager meeting a goal are resolved in the room that same day. We then do a similar review on top issues for the whole company i.e. 'what key area needs fixing right now?' It could be anything from communication to budgeting. At this point, everyone gets to say openly and honestly what they're thinking on any issue to do with their job or Linc Energy. We also focus on re-setting 90 day targets and get the second level management involved so they too are briefed and have input into exactly what's required and by when over the next 90 day period.

Once all the goals are set, they are reviewed so that they align with the company's strategy and key objectives, and the relevant division's key objectives. If agreed, they are signed-off by everyone. This process is repeated as a workshop in every division of the company and at every level.

XGAP is a powerful tool for Linc Energy. It ensures our key goals are met and executed across the company. It's also an explanation of how we can execute across several objectives at once, which really comes down to our key managers being very good at what they do and taking responsibility for the focus and execution of their key goals.

I mentioned frustration in the first paragraph of this message and I must say upfront my frustration is mostly caused by external sources. Take for a moment the issues of the Resource Super Profits Tax (which made life difficult for a few weeks), then the Queensland floods, which didn't stop Linc Energy, but was a very difficult period at the beginning of the year. Then the European debt crisis (which appears to be ongoing). Then came the carbon tax followed by another 'market correction'. And let's not leave out the Queensland Government's handling of the developing Queensland UCG industry and the perceived bias to coal seam gas. Finally let's not forget the United States debt ceiling crisis.

This is not a political rambling (though you'd be forgiven for thinking so). This is a small example of the 'frustration' that makes growing any businesses that much more difficult.

Yes, all of this has affected Linc Energy's share price but I'm not going to use it as an excuse. I've identified other key areas to improve our share price performance. The first is I personally need to go back on the road and participate in the shareholder road shows that drove and supported our stock price originally (I delegated this role in December 2010 so I could focus on the business plan execution).

Secondly, the market needs to clearly assess the value inside the company which is one of the reasons we've restructured the company as we have. You can now clearly see the structure, the assets, the milestones and achievements with the value of the business and its assets becoming much clearer.

Thirdly, our communications to the market need to be made more often, more clearly and more aggressively across a range of mediums. You should already be seeing significant improvements in this area with more to come.

I would like to bring to your attention a few more highlights that were achieved as a company over the last twelve months.

I'm pleased and proud to say that for the third year in a row Linc Energy is at zero staff lost time injuries. This means we had no meaningful accidents or injuries across the business for the period, which again is a fantastic achievement by all involved, but more importantly the credit must go to the teams at our sites around the globe that ensure we are doing the right thing.

We did have one contractor incident during our South Australian drilling program which, whilst not acceptable, still needs to be placed in context by appreciating just how many drill rigs and pieces of equipment are coming and going across the country.

Most of you also know that I drove the Linc Energy diesel VW Polo vehicle 6,000 kilometres across Australia from Chinchilla to Perth. Again this is a great achievement by all involved. The diesel we produced at our Chinchilla UCG to GTL facility using our own UCG gas produced from our own coal was a huge milestone. It was the culmination of many years work and some significant achievements. We are still ongoing with our pursuit for a better UCG platform and whilst Gasifier 4 has been continuously operating since February 2010, we have just unveiled our new Gasifier 5 UCG operation at Chinchilla. This is the most advanced UCG process to date which makes more gas at a lower cost, whilst being even simpler to operate and monitor. Gasifier 5 is our commercial UCG model and is the UCG platform we will be rolling out in commercial operations around the globe as part of our clean energy business plan. On the back of the UCG achievements of late, Linc Energy has also made significant strides in its GTL program and in particular, its drive to design and develop a replicable low CAPEX modular GTL facility. This work is ongoing of course.

Other UCG news is that we have defined and submitted our permits for our first overseas UCG site. The Wyoming UCG operation has had a huge amount of background environmental and design work applied to it over these past few months including a significant amount of drilling, We expect Linc Energy to break ground on drilling of the first Wyoming UCG site in late December this year (final approvals and weather conditions permitting).

In our push to create a meaningful oil and gas division as per our business plan, Linc Energy has purchased the Umiat oil field in Alaska. This oil field has already been drilled and has an indicative billion barrels of original oil in place. We will commence drilling the Umiat location later this year with the aim of converting a greater amount of that oil into 1P and 2P reserves. The second step, already in planning, will be to permit and build a pipeline approximately 90 miles from Umiat to the Trans-Alaska Pipeline System to accept at least 50,000 barrels of oil production per day.

Earlier this year, we also purchased the Glenrock (Wyoming) oil assets (acquired from Rancher Oil Corporation) giving us potential long term oil production of 70 million barrels of oil via carbon dioxide injection with potential production of over 10,000 barrels of oil per day. This asset already has production of approximately 200 barrels of oil per day and has further oil potential from the Niobrara Formation which we intend to drill early next year. The carbon dioxide enhancement pilot is well progressed and we look forward to making further announcements on this project in the future.

We also completed our first gas well in Alaska with the drilling of LEA 1. Unfortunately LEA 1 wasn't successful in locating a commercial gas reserve, but we learnt a great deal from this exercise, some of which will be used on the Umiat oil field.

Keeping on the oil theme, we commenced our largest drilling program in South Australia on our Arckaringa Basin oil and gas leases, exploring for oil, gas, coal and shale oil. In the same region we also completed a seismic program of over 1,000 kilometres which has located several more exciting oil targets in the area.

We've also expanded our global reach with new offices being opened in Houston (Texas), Baton Rouge (Louisiana) and London. As the company grows, so too does the Linc Energy team. Following proposed further acquisitions, Linc Energy will have around 500 staff - a long way for a company that started with only a handful of people just over five years ago.

September this year marks the 50th anniversary of UCG commercial operations at Yerostigaz (pronounced You-ros-t-gas) in Uzbekistan. This is an astounding achievement for the men and women who have toiled away in that UCG field near Angren for over two generations. They have consistently produced more than one million cubic metres of UCG gas per day, every day, to operate an adjacent power station. The challenges these incredible people have overcome over these generations is an amazing testament to them and to UCG technology itself. This UCG field operates in minus 40 degree Celsius winter temperature and in the 40s in summer, with few tools and resources. Yet they, and the UCG process, have won over these past 50 years. Congratulations to everyone at Yerostigaz. Linc Energy and I are very proud to have had the opportunity to have played some part in this successful history of UCG on that site.

Again, we all know about the sale of the Galilee coal asset to Indian group Adani. That has been a very successful move for Linc Energy. In addition to this, Linc Energy has now narrowed down its prospective buyers for the Teresa coal asset. I hope that we may be able to announce a final deal on this asset in the very near future.

We will continue drilling up more areas within our significant Australian coal lease footprint for potential future development, and will continue to seek to monetise non-core, traditionally mineable coal assets into the future to support our strategic goals.

I mentioned the floods in Brisbane and Chinchilla earlier this year. I'd like to thank the Linc Energy staff who went far beyond the call of duty to help their team members both at work and when we were personally threatened. Also, Linc Energy and its staff were one of the first to donate to the Queensland Premier's Flood Appeal to help rebuild our communities again. I thank all of you, as Chief Executive Officer, and personally as someone who lost their home due to the floods and received kindness, help and hope during that period.

Linc Energy has a huge future and we are executing our plan. The achievements to look for next year will be

- 10,000 barrels per day of oil production
- The commencement of UCG in Wyoming
- The drilling of Umiat and the pipeline plan to bring that oil to market
- Teresa coal sale
- The drilling of oil shale in the Arckaringa Basin and the significant value-add that such a discovery will provide to Linc Energy
- · Carbon dioxide injection in Wyoming and the sourcing of carbon dioxide in various locations
- Further oil and gas and coal mergers and acquisitions
- The announcement of Linc Energy's first commercial UCG operation
- Flying a jet on Linc Energy's Jet A1 fuel across Australia (and maybe soon across the United States)
- Further drilling in Texas, Wyoming, South Australia, Queensland, Alaska, Africa ... and much more to come

I'd like to thank my Acting Chairman and fellow Directors for their efforts this year and as always, the incredible group of people that make up the Linc Energy team. Without them, none of this is possible. And of course our shareholders ... I can tell you there are days of the week that the only reason I keep fighting is for you guys! May 2012 be the year of Linc Energy.

Yours sincerely,

Peter Bond

CEO and Managing Director

REVIEW OF OPERATIONS AND ACTIVITIES

A GLOBAL DIVERSIFIED ENERGY COMPANY

Linc Energy is a diversified energy company expanding into new global locations to realise economic energy solutions from stranded resources. The past twelve months has seen the company expand into traditional oil production in the United States with the view to applying Enhanced Oil Recovery (EOR) techniques to near-depleted oil wells for increased oil production rates. Having proven its Underground Coal Gasification (UCG) and Gas to Liquids (GTL) technologies for the production of cleaner power and fuels, the company's business model is based on: Oil and Gas and EOR; Coal and Clean Coal; and Clean Energy and Clean Fuels.

The company operates across four continents with projects and offices in Australia, North America, the United Kingdom/Europe and Asia (Vietnam and Uzbekistan).

HEALTH, SAFETY AND ENVIRONMENT

Maintaining its impressive safety record during the past financial year, Linc Energy has focused on consistently managing safety across its global jurisdictions. This has involved the development of safety systems and plans in Australia and the United States to ensure the company provides the best tools and structures possible across its corporate offices and operational sites. As such, a new set of Health and Safety Management System Standards is being developed, including the establishment of two Health and Safety Management committees. The corporate committee, made up of company executives and senior management, sets the safety direction for the company. The field committee, made up of safety advisors and site managers, acts to advise on the practical elements of implementing the corporate standards. In the interest of promoting safety and encouraging an employment culture committed to working safety at all times for future success, the team established and implemented the 'SafetyLinc - Our Future, Your Future' brand.

At the Chinchilla Demonstration Facility, the company's contractor management system has proven to be a stringent method to ensure that health, safety and environmental risks are addressed and documented prior to any work commencing on the site. This, as well as improvements to the 'permit to work' system and supervisor training, has resulted in excellent safety performance at the facility. During the period no lost time or medical treatment injuries were recorded for the Chinchilla Demonstration Facility. For the geology and exploration team one lost time injury was recorded due to a minor injury to a contractor that occurred during the cleaning of camp facilities that service the drilling activities in the Arckaringa Basin. For Linc Energy's United States operations no Occupational Safety and Health Administration (OSHA) injuries were recorded. Additionally, no contractor recorded an OSHA injury while working for Linc Energy in North America.

Linc Energy's focus on environmental management continued throughout the past financial year as the company pursued its vision of unlocking its coal, oil and gas resources for energy solutions. During the period the team grew to accommodate more resources to manage processes relating to environmental monitoring, regulatory obligations and the Environmental Impact Statement workload as part of the sale process for the Teresa coal asset near Emerald.

In terms of the progress of commercial UCG operations in Queensland, the government appointed Independent Scientific Panel reviewing UCG will release its report in 2012. The panel's interim report on Linc Energy released on 24 January 2011 acknowledged the company's groundwater monitoring process, technology and demonstration facility and positive approach to dealing with panel experts. In the panel's report they went on to describe Linc Energy's UCG trial near Chinchilla as 'world's leading practice'.

Following adverse trial operating conditions from two junior UCG companies, Linc Energy was issued with an Environment Evaluation Notice by the Queensland Department of Environmental and Resource Management (DERM). Linc Energy cooperated with DERM to supply the information they required. The result of the notice indicated that DERM agreed with Linc Energy's original findings that groundwater salinity anomalies were naturally occurring phenomena.

Linc Energy values its relationship and engagement with its stakeholders. Given the company has expanded into new jurisdictions it has now implemented its stakeholder education program to regulators in new regions such as Alaska, Wyoming and Louisiana. This program aims to increase the understanding of UCG and GTL technologies and their benefits for the production of cleaner power and fuels.

DOWNSTREAM TECHNOLOGIES PROGRAM

Linc Energy formed a dedicated Downstream Technologies group early in 2011 with responsibility for the development of all projects and business opportunities downstream of the oil and gas production and UCG portfolios for the company. The group plays a pivotal role in defining and engineering facilities to determine the most profitable use of the company's resources.

To facilitate global UCG to GTL energy projects, Fluor Enterprises Inc. was selected early in 2011 to prepare a preliminary Front End Engineering Design (pre-FEED). This included engineering a modular design and logistics for a plant located in interior and coastal sites in the United States. The pre-FEED study is based on a nominal plant capacity of 5,000 barrels per day of transportation fuels using Fischer-Tropsch technology.

Various process schemes and technologies were considered to arrive at the selected concept. Some of the flow schemes were novel and allowed for the economic production of the most valuable products. The selected scheme will capture more than 70 per cent of the produced carbon dioxide to be used for EOR.

The pre-FEED deliverables will be used for a parallel, in-house execution strategy using low cost engineering and fabrication centres. The conclusions from these activities will allow Linc Energy to arrive at a project investment decision.

ENHANCED OIL RECOVERY PROGRAM

During the period and as part of the company's aggressive oil asset acquisition program in the United States, Linc Energy acquired three producing oil fields covering over 27,000 acres of the Powder River Basin in Wyoming. These fields currently produce 190 barrels of oil per day and provide the company with a significant EOR opportunity.

Linc Energy holds significant coal leases in the Powder River Basin and is preparing its first UCG operation for the area. By using high value carbon dioxide from the UCG process to boost oil production rates management anticipate that EOR has the potential to increase production from a few hundred barrels per day to over 10,000 barrels per day. Total recoverable oil in the area is estimated to be 70 million barrels.

Linc Energy is now engaged in a field redevelopment program to increase short-term oil production and prepare its fields for carbon dioxide injection. This includes putting idle wells back into production, increasing the water injection capacity by adding new injectors, working the existing flow line system in the fields to support additional fluid flows, and studying the geology, production and reservoir history to find ways to optimise field production.

UNERGROUND COAL GASIFICATION PROGRAM

Linc Energy is the world leader in UCG for the production of cleaner energy solutions. With 50 years of UCG experience at the Yerostigaz commercial UCG facility in Uzbekistan and world-first enhancements at the UCG demonstration facility in Queensland the company is prepared for commercial success.

Linc Energy has a program of UCG projects planned for Australia and the United States and is also assessing opportunities in Africa, Europe and Asia. See pages 11 and 13 for details of the company's UCG projects.

POWER OPPORTUNTIES

Throughout the past financial year Linc Energy has considered a number of technology options for converting UCG syngas to electrical energy across the full range of power outputs. Following a detailed feasibility review with Uhde Shedden and SKM for utility scale power opportunities based on gas turbine technology (notionally 50MW to 400MW), further effort was applied to reviewing technology options for smaller scale power generation. Earlier this year, Linc Energy commissioned SKM to perform a front-end study into small power options in the range of 1MW to 30MW.

At its UCG to GTL demonstration facility in Queensland, Linc Energy has plans to develop a project to install power generation capacity to prove the concept of UCG for power generation in combination with liquids production. This will also provide an economic benefit by offsetting the cost of power to the UCG and GTL processes at the site. The company is also planning the commercial application of the latest generation hydrogen fuel cell from AFC Energy to use excess valuable hydrogen from the syngas stream, which will also improve the carbon-hydrogen ratio for the GTL process. The introduction of this fuel cell technology will use this high value stream of hydrogen to produce electricity to contribute to the operation of the facility.

Linc Energy is currently considering a number of commercial power opportunities around the globe. Now with a selection of best-fit technologies for potential projects, the company has engaged equipment suppliers to establish the supply of the most technically appropriate and cost effective plant options. Linc Energy is also developing an opportunity to implement a utility scale UCG power generation project using large industrial gas turbine technology in the United States and is looking at power generation opportunities in Europe using both UCG and aboveground gasification technologies to produce syngas.

GLOBAL PROJECTS AND OPERATIONS

AUSTRALIA

COAL, OIL AND GAS EXPLORATION

QUEENSLAND

BILOELA BASIN

The drilling program for this region was completed in late 2010 and confirmed the presence of an elongate sedimentary basin hosting brown coal (lignite) accumulations. Studies continue to develop an approach to this deposit.

BOWEN BASIN

During the period, four sites were re-drilled to provide core samples for further washability and yield testing. Most notably, the Environmental Impact Statement (EIS) for the Teresa coal asset was made, along with a corresponding mining lease application (MLA 70442) to supplement Linc Energy's existing MLA. Work continues to finalise the Initial Advice Statement and federal Environment Protection and Biodiversity Conservation application for the EIS process.

To date the team has expended a great deal of effort into the Teresa asset sale process, in particular with a focus on drilling for resource infill and technical data to support a Teresa underground mine study and evaluation.

GALILEE BASIN

Linc Energy continues to consider the highest return to shareholders from the Pentland coal asset. The asset has sought-after qualities and properties and the company continues to provide technical and commercial details to interested parties.

IPSWICH BASIN

Linc Energy retains one Exploration Permit for Coal (EPC) in the Ipswich Basin. During the period, three locations were identified for drilling. Access to the area continues to be negotiated with overlying petroleum tenement holders through the Industry Consultative Committee.

MILLUNGERA BASIN (NORTHERN GALILEE BASIN)

Linc Energy holds five EPCs as part of its 'Great Northern Leases' region in the district of Julia Creek/Cloncurry. The application for another five tenements has also been accepted by the regulator.

During the period, access to the tenements was delayed due to Cyclone Yasi and flooding over the summer months. The team has undertaken an initial round of drilling and is preparing to return to site in the near future to continue the exploration program. The company expects to receive results early in 2012.

SURAT BASIN

Linc Energy is well established in the Surat Basin region with 373,129 acres of coal tenements. Linc Energy's Mineral Development Licence 309 is home to the company's UCG and GTL Demonstration Facility. During the period the team supported the construction of the next UCG gasifier with characterisation drilling of over 50 wells and related monitoring conducted.

SOUTH AUSTRALIA

ARCKARINGA BASIN

During the period the Arckaringa Basin has been the focus of a sustained exploration effort. Part of this effort saw the start of a 1,127 kilometre regional seismic program conducted by contractor Terrex Seismic (now completed). This was one of Australia's largest ever seismic programs and will provide a clear direction for future exploration. Initial indications from the program appear promising. Further analysis of the results will continue for the remainder of 2011 and into 2012.

Permitting for the oil and gas exploration program began, as did the start of a coal and deep stratigraphic drilling program to test the shale oil potential of the Stuart Range Formation. Overall the team has expended a significant amount of effort for site clearances, permitting and fit-for-purpose safety auditing to facilitate work in this exciting region.

WALLOWAY BASIN

During the period the team completed over 1000 metres of drilling in the region, including 63 metres of PQ core. Thick brown coal formations were confirmed and at this stage a project for the Walloway Basin remains under technical review.

UCG TO GTL DEMONSTRATION FACILITY

UCG DEVELOPMENT

During the financial year Linc Energy continued to operate Gasifier 4 at the demonstration facility located near Chinchilla in Queensland. The gasifier has been operating since February 2010, supplying synthesis gas to the GTL demonstration plant. This is the largest and longest running UCG demonstration in the world.

During the period a number of UCG trials were conducted. These included:

- The demonstration of oxygen enrichment to form the basis for the application of higher levels of enrichment for future gasifiers
- The manipulation of gas composition through the injection of water
- The manipulation of gas composition through the injection of carbon dioxide
- · The use of multiple feed injection points for optimum gasifier operation
- Field trials for the coil tubing unit to demonstrate how it can be used safely and cost effectively to 'clean' UCG wells during a 'workover' procedure

During the period Gasifier 5 was also approved and designed. This gasifier represents the next generation in Linc Energy's world-class underground gasifier design. It contains advanced design methodologies and technologies specifically tailored to support UCG for the commercial development of Linc Energy's EOR and GTL energy applications.

Gasifier 5 incorporates proprietary oxygen injection equipment to enable the production of higher quality synthesis gas for optimal GTL plant design. It will use state-of-the-art downhole instrumentation to measure temperature and pressure, and conduct groundwater sampling. Substantial drilling was required for Gasifier 5 for site characterisation, operational monitoring wells, and the completion of directional process wells and the team successfully planned and secured rigs for these purposes. Following the implementation of a comprehensive, more advanced site characterisation program and this procedure will be used for its global UCG projects to identify and define suitable UCG resources in the future.

The Gasifier 5 project team has coordinated final designs, early procurement, and the delivery of items with long lead times. They further developed control budgets and schedules and coordinated third party and internal resources. The site teams also worked with the company's technology and project teams to support the early planning and infrastructure preparation for Gasifier 5, which involved substantial civil works.

GTL DEVELOPMENT

During the period the GTL plant was modified to improve process conditions for catalyst reduction and regeneration. A new syngas compressor was installed, which resulted in 95 per cent availability of the FT section. This exercise provided valuable information on catalyst activity over an extended period whilst maintaining FT liquids production.

Following the end of the annual reporting period, the next generation of catalyst was applied to the GTL plant. According to laboratory experiments, Linc Energy expects this catalyst to have significantly higher activity than previously achieved. The goal of the next campaign will be to monitor the activity and selectivity of the new catalyst within varying feed compositions and operating conditions. Using mathematical models of the FT reactor and process configuration, the results will be used to confirm the design basis for the company's commercial FT technology and reactor.

Process improvements at the UCG to GTL demonstration facility have enabled the completion of three separate test campaigns as well as the production of Linc Energy's own synthetic diesel used for the 'Diesel Dash'. Linc Energy is the world's first producer of FT synthetic fuel from an integrated UCG to GTL facility. The synthetic fuel produced was processed and certified according to the standards specified by the Australian Federal Department of Environment, Water, Heritage and the Arts based on the *Fuel Quality Standards Act* 2000 and meets the stringent Euro 5 standards.

Linc Energy's synthetic diesel achieved near-zero sulphur and aromatics content as well as a high cetane number of 70. It was tested at a certified authority in Australia where diesel engine emission tests are performed. Depending on engine speed and load, the results from the testing indicated that carbon monoxide emissions were reduced by 29 per cent, nitrogen oxide was reduced by 12 per cent, and particulate matter emissions were reduced by 73 per cent.

Linc Energy is now processing FT product to create synthetic jet A1 fuel. This will be manufactured according to the standards established by the International Air Transport Association and the relevant Australian requirements. Successful production of jet fuel will enable Linc Energy to demonstrate the performance of the product in a test exercise similar to the 'Diesel Dash'.

OTHER FACILITY IMPROVEMENTS

The wastewater treatment plant at the facility was successfully operated according to its design rate of 24 cubic metres of process water per day. It continues to provide valuable data and operational experience for the design of commercial scale plants for future UCG projects.

During the year further enhancements were implemented to improve staffing efficiency at the facility. This involved integrating the UCG and GTL operational teams to operate as a single operational chain. This has given operational process controllers and shift supervisors the opportunity to expand their experience across the technologies as well as build on specific areas of expertise. The change has also minimised the interface between the two technologies. It has also allowed the teams to operate on a new shift system and focus on a single effort with clear lines of responsibility.

Linc Energy's UCG technology proved robust as Queensland and the demonstration site was affected by flooding. To maintain site operations, staff were flown to and from the facility by helicopter. Despite the large volumes of water around the site during this time, the UCG to GTL facility continued to operate according to its design expectations.

UNITED STATES

OIL AND GAS ACQUISITIONS

During December 2010 Linc Energy underlined its intention to enter the United States oil and gas production sector through a series of aggressive asset acquisitions. During the period, the company acquired producing oil fields covering 47,214 acres in the North American states of Alaska and Wyoming.

ALASKA

During the period Linc Energy signed an agreement to purchase 19,358 acres of oil and gas assets in the world's largest undeveloped onshore oil producing region, 'Umiat', located in the Alaskan North Slope region. Purchased for US\$56 million, the acquisition provides the company with an 84.5 per cent interest in Renaissance Umiat LLC, which holds a 100 per cent working interest in the Umiat oil field with an 80 per cent revenue interest in the project. It is estimated that these fields hold about one billion barrels of original oil in place (OOIP). In the coming year Linc Energy will focus on the delineation of additional reserves, reservoir characterisation and will establish proven reserves. This will involve pre-development environmental studies and a robust drilling fluids program.

Linc Energy's Umiat acquisition received support from the Alaskan Governor's Office. The Governor's office plans to develop a road and pipeline corridor from Umiat to the Trans-Alaska Pipeline System to facilitate additional resource development in the area.

WYOMING

In Wyoming Linc Energy acquired three oil fields covering 27,856 acres near Glenrock from Rancher Energy Corporation. From this purchase the company gained oil and gas leases, property interests (including all overriding royalty interests held by the former owner) and oil production fields known as 'Big Muddy', 'South Glenrock B' and 'South Cole Creek'. Current total production from the fields is approximately 200 barrels of oil per day from which Linc Energy gained its first oil revenue stream. It is estimated that these fields hold about 466 million barrels of OOIP. With the application of EOR techniques it is estimated that oil production could potentially exceed 10,000 barrels per day.

OIL AND GAS EXPLORATION

ALASKA

In July 2010 Linc Energy took ownership of 122,000 acres of oil and gas leases in the Cook Inlet Basin. Acquired from GeoPetro Alaska LLC, the company gained leases in blocks known as 'Point MacKenzie' and 'Trading Bay'.

Towards the end of 2010 Linc Energy drilled its first Alaskan oil and gas exploration well known as LEA 1. This well was located about 2.4 kilometres, or 1.5 miles, from existing major gas pipeline infrastructure. Selected according to seismic data from GeoPetro, the well was drilled to a depth of 1,927 metres or 6,323 feet. Three significant sandstone units within the Tyonek Formation contained appreciable amounts of pure dry methane. Following intensive testing it proved uneconomic. Linc Energy anticipates that the source of the gas encountered in LEA 1 may be found in higher concentrations in other parts of the block. In the coming period Linc Energy plans to unitise acreage south of LEA 1, gather additional seismic data, and drill new targets on the Point MacKenzie block.

UCG DEMONSTRATION PROJECT

Linc Energy has identified the United States to be a key market to launch commercial UCG operations. The company has coal interests in Alaska and the Powder River and Greater Green River Basins in Wyoming that it is focusing on for the development of UCG projects.

ALASKA

Alaska contains the largest amount of coal resources in the United States and Linc Energy recognises that UCG can provide important future energy requirements for the South Central and Interior Alaskan regions.

During the period Linc Energy, through a competitive tender process, was awarded UCG exploration licenses for acreage held by the Alaska Mental Health Trust Authority. The licenses span 167,917 acres across the Cook Inlet Basin and Interior regions. Preliminary geological assessments for the Cook Inlet Basin revealed that the licence areas held by Linc Energy are highly prospective, containing evidence of thick coal seams at moderate depths. For the Interior region, information on coal seams down-dip from the town of Healy show high promise.

An integrated, phased exploration program is underway to acquire resource specifics in a cost-effective manner. This includes the collection and processing of seismic surveys and coring projects. Pending results of the first UCG demonstration in Wyoming, as well as exploration and site characterisation results, a streamlined schedule for commercialisation is conceivable for Alaska.

WYOMING

Linc Energy holds significant coal leases covering 177,300 acres in the Powder River Basin. This provides the company with exceptional regional coverage of the most prospective areas of the basin. Many of Linc Energy's coal leases are located near its recently acquired oil fields, further supporting the synergy between UCG and EOR for increased oil production rates. Exploration drilling continues in the basin to identify suitable sites for UCG. During the period six exploration holes were drilled totalling 3,265 metres or 10,712 feet. The company plans to drill an additional 20 exploratory holes by the end of the year. As part of the permitting requirements and site feasibility processes for a UCG project, Linc Energy conducted drilling and coring operations, hydrological studies and baseline groundwater sampling on the proposed UCG demonstration site in Wyoming. This involved over 35 characterisation and hydrological monitoring wells. Pending permit approval, the company plans to complete a 90 day UCG gasification exercise at the demonstration site. Upon permit completion and acceptance, Linc Energy will have sites under consideration for its first commercial UCG facility in the United States.

In the Greater Green River Basin, crossing the states of Colorado and Wyoming, Linc Energy leased 3,320 acres of state coal leases for site assessment for UCG. Regional geologic studies in southern Wyoming identified the existence of relatively thick coal seams at moderate depths prospective for UCG. Referred to as the 'Little Snake River' project, this area of interest will undergo an exploration program to obtain initial UCG characterisation data. During the period an exploration permit was filed with the State of Colorado for prospective lands in the southern part of the area for the Little Snake River project.

UZBEKISTAN

YEROSTIGAZ UCG FACILITY

Linc Energy holds an almost 92 per cent controlling interest in the world's only commercial UCG facility. The year 2011 marks 50 years of commercial UCG at the Yerostigaz facility which supplies synthesis gas for power generation to the nearby Angren Power Station. To mark this achievement Linc Energy will showcase its UCG expertise in a series of global events.

During the period Linc Energy installed two new turbo centrifugal compressors that has resulted in up to a 30 per cent reduction in electricity usage at the facility. By reducing this major cost item, the savings gained contribute to the facility's bottom line profitability.

Linc Energy also implemented opportunities for training at the facility. Ten Yerostigaz staff members were selected based on their demonstrated dedication and leadership abilities and were given the opportunity to receive further training and development. This will ensure Yerostigaz is adequately staffed with the right mix of skills for the future. The year also welcomed new Board members and a new Chief Executive Officer. The previous Chief Executive Officer of the Yerostigaz facility has relocated to Linc Energy's Brisbane head office to work on its global UCG projects.

In the coming year Linc Energy will conduct a broad review of other opportunities in the region for the use of UCG synthesis gas produced from the facility.

UNITED KINGDOM AND EUROPE

During the period Linc Energy signed an exclusive agreement to acquire a 10 per cent interest in PowerHouse Energy Inc to use its leading Pyromex ultra high temperature aboveground gasification process to produce high quality syngas with almost no carbon dioxide emissions. The technology achieves this without consuming high volumes of water or power.

The agreement provides Linc Energy with a perpetual, exclusive, royalty-bearing licence to use, own, fabricate and operate the Pyromex system for aboveground coal gasification for syngas production in all territories, except Italy. PowerHouse Energy has also committed to the development of a larger Pyromex system to provide Linc Energy with an enhanced ability to apply the technology to large, mineable coal deposits.

Linc Energy also acquired a 10 per cent interest in AIM-listed AFC Energy plc, a company focused on the development of low cost hydrogen fuel cells for the cleanest power generation. Linc Energy is planning to install the latest generation AFC Energy Beta fuel cell at it demonstration facility in Queensland to utilise hydrogen removed from the UCG syngas stream to improve the carbon hydrogen ratio for the GTL process. In this case the fuel cell utilises the high value hydrogen stream and produces electricity to contribute to the operation of the GTL plant, whilst only discharging clean water. Linc Energy has since increased its shareholding to 12 per cent.

During the period Linc Energy also signed an exclusive Memorandum of Understanding with Helmholtz Centre Potsdam GFZ German Research Centre for Geosciences, based in Potsdam, Germany, to research and work on combined UCG and carbon capture and storage options. The research period is for three years and demonstrates Linc Energy intentions to create a carbon neutral operating environment. Research to date indicates that exhausted UCG cavities are capable of absorbing significant quantities of carbon dioxide - potentially up to 400 times more carbon than traditional carbon capture and storage options.

VIETNAM

TONKIN PROJECT UPDATE

Linc Energy entered into a business cooperation contract with Vietnam National Coal and Mineral Industries Group (VINACOMIN) and Japan's Marubeni Corporation to undertake a trial UCG project in the Red River Delta region in Vietnam. The project partners remain committed to the successful completion of stage one of the project, encouraged by the burgeoning demand for alternative energy sources in Vietnam.

Following the close of the reporting period, a delegation from VINACOMIN, Marubeni and Thai Binh province visited Linc Energy's Brisbane office and the Chinchilla Demonstration Facility. Linc Energy continues to work with the partners during the approvals process and remains confident to begin operations following additional work in Vietnam by its project partners to fully delineate the potential commercial site.

THE BOARD

Ken Dark, Acting Chairman and Non-Executive Director

Ken Dark was appointed to the Linc Energy Board in October 2004. Ken began his early working life as an electrician. After gaining tertiary engineering qualifications, Ken moved into industrial process instrumentation and control. During the 1970s Ken was instrumental in the conceptualisation and design of what was then a state-of-the-art, revolutionary aluminium smelting process control system. To this day, the concepts Ken pioneered are still the mainstay of process control for the international aluminium smelting industry. Stepping out of his specialist field, he was then appointed to the management of a multi-disciplined smelter engineering team. This team conducted all project engineering work for Alcan's Australian smelter.

Ken left the corporate world to establish a highly successful business in the fuel distribution and retail industry. He has represented fuel distributors and retailers, chairing the national marketing committees for two major fuel companies and leading the national franchise negotiation committee to the successful renewal of contracts with one of the oil majors. His current business includes the operation of a small independent chain of service stations in the Hunter Valley. Over the years Ken has managed to find time to own and operate a sheep/beef enterprise in New South Wales, with time spent in freelance management consulting to round out his experience.

Peter Bond, Managing Director and Chief Executive Officer

Peter Bond has a successful track record in the coal and gold mining industries, both in Australia and overseas. His business interests include mineral, mining and associated operations in Australia and South East Asia.

Peter was appointed to the Linc Energy Board in October 2004 and has been pivotal to its success since it listed on the Australian Securities Exchange in May 2006. He has personally seen the company evolve from a small-cap business into an ASX 200 company, and seen the company grow in talent from a small team to over 400 employees around the world.

Building on his early engineering background, Peter has gained a unique knowledge and understanding of the coal mining industry over the course of a diversified career spanning more than 20 years. Peter has experience in the design, installation, commissioning and operation of complex processing plants and projects, and his various companies are recognised in the mineral processing industry for both innovation and efficiency.

Oliver Yates, Non-Executive Director

Oliver Yates has an extensive financial background with global experience in corporate advisory, financial structuring, project finance, debt structuring, equity raising and listings. Oliver has spent the last 20 years with the Macquarie Group where he was an Executive Director for over 10 years.

Oliver recently led Macquarie's efforts in wind, solar, carbon capture and storage and other renewable businesses internationally, working across Australia, Europe and the United States. He has held many senior positions within the Macquarie Group including Country Head for America, Co-Head of the Financial Products Group and Private Placements Group.

Oliver is currently a member of the Founders Board FFI (Fauna and Flora International Australia) and a director of Elementus Energy Ltd and Biocarbon Group Pte Limited. Oliver joined the Linc Energy Board in October 2010.

Jon Mathews, Non-Executive Director

Jon Mathews brings to Linc Energy over 30 years of experience in the coal industry. Jon began his career as a cadet Mine Manager with the Queensland Coal Association, obtaining a first-class managers certificate for underground and open cut operations. At age 29, he managed Queensland's largest underground producing coal mine at the time. He then become a General Manager of a mining company that dealt in both open cut and underground operations, eventually being responsible for the Queensland coal assets for several coal companies.

Over the years, Jon has been a member of the Executive Committee of the Queensland Coal Association, Chairman of the Underground Mine Managers Committee (Queensland), Director of West Moreton Coal Exporters, and Director of Parkhead Rail Terminal. In recent years, since the closing of mining in the West Moreton District, he has been heavily involved in mine consulting, risk assessments and the waste management industry. Jon is also a Director of three private companies.

Craig Ricato Executive Director, Legal and Corporate Affairs

Craig Ricato is Linc Energy's Director, Legal and Corporate Affairs. Craig's primary responsibility is to ensure Linc Energy's compliance with the regulatory requirements of both the Australian Securities Exchange and the Australian Securities and Investments Commission. Craig also provides legal guidance to the Board, manages the legal affairs of the company and works with the United States team on Linc Energy's oil and gas acquisition program.

Craig Ricato brings a broad range of international experience to Linc Energy across the regulatory, accounting and legal industries. Craig obtained a Bachelor of Commerce degree in 1991 and was admitted as a Legal Practitioner of the Supreme Court in 2001 after graduating with a Bachelor of Laws with First Class Honours. His early career background prior to joining the legal profession was in the area of Forensic Accounting and law enforcement.

EXECUTIVE LEADERSHIP TEAM

Peter Bond, Managing Director and Chief Executive Officer

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David Smith, Chief Operating Officer

David's operations responsibilities extend across the strategic areas of the business including upstream and downstream technologies, safety, environment, exploration, projects and procurement.

David is a representative Linc Energy Director at the Yerostigaz UCG facility in Uzbekistan and an alternative director for other companies in which Linc Energy has an interest.

David has an MBA from the University of Queensland, an Honours degree in Engineering from the University of Wollongong and is a Fellow of the Australian Institute of Company Directors (AICD).

Kobus Terblanche, President Linc Energy Australia & Africa

Kobus joined Linc Energy as General Manager GTL in 2008 and has since extended his responsibilities to Chief Operating Office and is now President of Linc Energy's Australia and Africa operations. Kobus has more than 25 years of experience in the upstream and downstream oil and gas industry, with a specific focus on GTL project management, operations, and technology management. With a Master's degree in chemical engineering, Kobus started his career in basic research and development with Sasol.

Enjoying a successful career, Kobus has performed roles such as Vice-President and Executive Director with Glencore in the Democratic Republic of Congo where he managed a refining, storage and logistics business. For Mossgas in South Africa he played a key role in the establishment of its commercial GTL facility. As General Manager of corporate strategy and new ventures, Kobus was also involved in the formation of South Africa's PetroSA.

With an active interest in business optimisation and enhancement, Kobus has furthered his expertise through executive management studies at Stanford University and a Master's degree in financial economics at the University of London.

Don Schofield, President Linc Energy Operations, USA

Don Schofield has extensive worldwide experience in founding mining and energy related private and public companies, and has served in roles including Managing Director, General Manager, Mine Manager, Operations Manager, Exploration Manager and Project Manager in the petroleum, coal bed methane, mineral exploration, mining, and drilling industries. In the early 1980s, Don was involved in some of the initial UCG work performed in the United States.

Don has tertiary qualifications in science, majoring in mining engineering and geology and a Master of Arts in sedimentation and marine geology. Don is responsible for Linc Energy's expansion and operations in the United States.

Adam Bond, General Manager European Operations

Adam Bond joined Linc Energy as General Manager - European Operations, responsible for the development and delivery of Linc Energy's European expansion in the United Kingdom, mainland Europe and Russia.

With over 12 years of experience Adam's background is in providing commercial advice to public and private sector organisations in the United Kingdom and Australia, as well as to international energy and infrastructure markets.

Prior to joining Linc Energy, Adam held positions with the British Government as Project Director, Lead Negotiator and Commercial Lead for the United Kingdom's first carbon capture and storage program. He was also instrumental in the design of the commercial framework for delivery of the United Kingdom's offshore electricity transmission network.

Adam holds tertiary qualifications in law, commerce and taxation, and was a participant in Harvard Law School's Program on negotiation. Originally from Australia, Adam relocated to London in 2007.

SENIOR MANAGEMENT TEAM - CORPORATE

Anton Rohner, Chief Financial Officer

Anton Rohner is an accountant by profession (CPA Australia) and a member of the Australian Institute of Company Directors. Anton has nearly 20 years of experience in the banking, energy, and mining sectors.

Prior to joining Linc Energy, Anton was the Managing Director for Renewable Energy and Utilities for Macquarie Bank in Hong Kong where he was responsible for advising and securing developments in renewable energy and utilities across Asia and Africa. Prior to this, Anton was the Managing Director, Asia for Roaring 40s, a partnership formed between China Light and Power and Hydro Tasmania to develop and operate sources of renewable energy throughout Asia and Australia.

Anton's experience and knowledge in the capital markets, particularly in developing new energy sources is valuable to his role at Linc Energy. As Chief Financial Officer, he is focused on ensuring the company's finances are properly managed whilst Linc Energy pursues the commercialisation of UCG.

Daryl Rattai, General Manager Underground Coal Gasification Commercialisation

Daryl Rattai is a Petroleum Engineer with over 25 years of experience in the upstream and downstream sectors of the petroleum industry. He has extensive international experience with previous positions held in Australia, Belgium, Canada, Trinidad and the United States.

Daryl's experience includes positions in senior management, business management, project management, and technical engineering. He has been responsible for oil and gas production operations, specialty well drilling services, and engineering and project management of oil and gas production, oil refining and petrochemical process facility developments.

Daryl is a team-oriented leader with significant achievements in business development and growth. Prior to joining Linc Energy, he held the position of Vice President of Operations with a Canadian oil and gas production company.

Daryl is responsible for the commercialisation of Linc Energy's Underground Coal Gasification technology. Prior to this, Daryl led Linc Energy's UCG team for over two years as General Manager - UCG.

Greg Meyer, General Manager Corporate Communications

Greg Meyer has enjoyed a successful career over more than a decade as a print and electronic journalist, news director, chief of staff and managing editor, working for companies such as television networks 10 and 7 and radio networks Austereo, Australian Radio Network and Triple M, as well as numerous high profile magazines and trade publications.

With formal graduate and postgraduate qualifications in journalism, public relations and marketing, culminating with a Master of Arts in communication management and a further 15 years practical experience in senior media, communications and stakeholder management roles across three states, Greg has extensive experience in managing large corporate communications divisions in both public and private sector organisations. He is also a full professional member of the Public Relations Institute of Australia.

Greg joined Linc Energy in March 2010 as the Media Manager before being awarded the role of General Manager Corporate Communications in 2011 to further develop and lead the growth of corporate communications, media, stakeholder and government relations activities across the organisation.

Janelle van de Velde, General Manager Corporate Services

Janelle van de Velde has nearly 25 years of experience working for publicly-listed companies. Having worked for Ergon Energy, she has a diverse perspective of the energy industry. Her previous experience also includes General Manager of a multi-million dollar sporting facility.

Janelle joined Linc Energy in August 2006 with a focus to develop and implement investor relations programs to keep stakeholders informed as its vision unfolds. Over the last five years, Janelle has held many roles at Linc Energy including Investor Relations, Stakeholder Relations and Corporate Communications. Janelle is now responsible for ensuring Linc Energy is able to expand globally. In the role of General Manager Corporate Services, Janelle and her team will play a major role to ensure that business services such as IT, telecommunications, travel and administration can support Linc Energy's anticipated growth.

Justyn Peters, Executive General Manager Investor Relations

Justyn Peters has more than 25 years extensive environmental management experience. He is also a qualified barrister and solicitor.

Justyn's experience includes University Environmental Law Lecturer, Legal Counsel for the Department of Environment and Heritage, Manager of Compliance and Investigation for the Queensland EPA, Acting Director of Environment for the EPA, Environment Advisor for the Queensland Mining Council, National Environment and Property Manager and Head of Business Development and Commercial for North Asia at Airservices Australia, an Australian Government statutory authority.

Justyn joined Linc Energy in 2006 as General Manager of Government and Environment, then General Manager Business Development and most recently Executive General Manager Asia. Justyn is now General Manager of Investor Relations where his experience across a broad range of Linc Energy's business groups is valuable in this role. Linc Energy is building a strong international Investor Relations team to best represent the company and provide a greater level of service to the company's retail and institutional investors around the globe.

SENIOR MANAGEMENT TEAM - OPERATIONS

Andrew McLaughlin, General Manager Geology and Exploration

Andrew McLaughlin is a qualified Geologist with a Bachelor of Science (Honours in Geology). Andrew has over 16 years of experience in exploration and mining, with a particular focus on black coal evaluation and coal quality. His broad experience includes working in exploration, drilling, open cut and underground mining, resource assessment and due diligence.

Andrew also has an extensive background in statutory safety management, possessing a New South Wales and Queensland Open Cut Examiner certification and Queensland Senior Site Executive competencies.

Prior to joining Linc Energy, Andrew held various energy related positions including exploration geologist, mine geologist, coal quality engineer, coal specialist, coal mining production supervisor and exploration manager. As Linc Energy's General Manager of Geology and Exploration, Andrew is responsible for coal, oil and gas exploration and development within Australia.

Bipin Patel, General Manager Clean Energy

Bipin Patel is a Chemical Engineer and has extensive international and diversified experience in the hydrocarbon (oil and gas) industry in Canada, the United States, Qatar, the United Kingdom and Australia. His career achievements span the heavy oil upgrading (Canadian oil sands), refining, natural gas liquefaction, gas to liquids, coal to liquids and natural gas projects and facilities.

Bipin is an energetic and creative leader with considerable experiences in strategic planning, business development, international joint venture establishment, product marketing, front-end engineering designs and the management and execution of large to medium sized projects.

Bipin has 20 years of experience in major oil companies and 10 years in major engineering, procurement and construction organisations. Prior to joining Linc Energy, he was the Director of Process Technology and Speciality Engineering at Fluor Enterprises Inc. in Houston, United States. He is a team player with a solid record in leadership, coaching, implementation of change and promoting entrepreneurial behaviour.

Bipin is responsible for the overall management and development of Linc Energy's Clean Energy business.

Brian Ferguson, Procurement Manager

Brian Ferguson has been involved in procurement for the oil and gas and mining industries for more than 30 years. He has gained this experience from working in many greenfields projects in Australia, Papua New Guinea and Indonesia. Brian has worked on major projects for Chevron, Bechtel, Placer Dome, Freeport-McMoRan, Newcrest and Newmont. His initial start in the energy industry was with Richter Drilling in Brisbane.

Brian also served for seven years with the Royal Australian Air Force, firstly in Telecommunications before transferring to aircrew as a helicopter crewman. He left the Air Force in 1975 after assisting with civilian helicopter rescue and evacuation during the 1974 Brisbane floods.

Prior to joining Linc Energy, Brian was the Procurement Director-Tanggu for ConocoPhillips on the Bohai Bay Development Project in the People's Republic of China, a US\$5 billion joint venture project between ConocoPhillips and the Chinese National Offshore Oil Corporation.

Corlia Roos, General Manager Human Resources

Corlia Roos joined Linc Energy as General Manager Human Resources in 2010 and is responsible for managing the Company's human resources function.

Corlia has 18 years of experience in the people management field. She began her career as a Barrister practising in employment law and over the last decade has become an expert in employment practices in the Australian resources sector. Corlia has served as the Director for Business Operations for the Australian Mines and Metals Association, the national employer organisation for the resource sector in Australia. In this role she managed and delivered the Association's human resources services to its 300 corporate members and represented members' interests in lobbying activities with federal and state governments.

Corlia has also worked as a consultant to various blue chip resource sector companies on diverse people management issues including employer branding, cultural change, employee relations and the introduction of human resource information systems. Corlia has a passion for excellence in people management and has furthered her expertise through an MBA from Curtin University in Perth, Australia.

Greg Perkins, General Manager Underground Coal Gasification

Dr Greg Perkins is a Process Engineer with over 15 years of experience in the energy, oil, and gas industries. He has extensive international experience having held previous positions in Australia, Switzerland, The Netherlands, Malaysia and the United States.

After internships with BHP and ABB during his undergraduate studies, Greg began his career as a research engineer with Rio Tinto Aluminium. He spent six years working for Shell International in Europe and Asia in a variety of oil and gas focused roles, all with increasing responsibility. Greg began with a number of chemical process development projects before working on problems in multi-phase fluid flow for Shell's upstream business. He then moved into Shell's gasification team where he was involved in the commissioning and start-up of a new gasification unit.

Greg's extensive experience with process and project development combined with a PhD in UCG positions him well for his role at Linc Energy. Since December 2009, Greg has led Linc Energy's technology team towards commercialising UCG. Today, Greg is responsible for the overall management and development of Linc Energy's UCG technology.

Matthew Buchanan, General Manager Health, Safety and Environment

A qualified Environmental Scientist, Matt joined Linc Energy in 2007 after an extensive career in managing environmental issues in politically sensitive projects in the mining, minerals processing and power generation sectors. He also spent considerable time as a Queensland state government environmental regulator implementing policy and regulations.

With 17 years of experience, Matt brings to Linc Energy skills in environmental impact assessment, project management, management systems development and regulatory compliance.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Linc Energy Ltd (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Directors

Unless otherwise stated, the following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

- Mr K. Dark (Non-Executive Director) appointed Acting Chairman on 6 September 2011
- Mr P. Bond (Managing Director)
- Mr C. Ricato (Executive Director) appointed 1 October 2010
- Mr J. Mathews (Non-Executive Director)
- Mr O. Yates (Non-Executive Director) appointed 1 October 2010 and was appointed Acting Chairman on 25 November 2010, Ceased as Acting Chairman 6 September 2011

Mr B. Johnson was a Director and Chairman during the year until his resignation on 25 November 2010.

Company secretary

Mr Brook Burke was appointed to the position of Company Secretary on 4 November 2010, replacing Mr Craig Ricato on that date. He has extensive experience in the areas of corporate law, energy and resource law and corporate governance both in private practice and working in-house in the energy industry.

Qualifications and experience of Directors and Officers

Further information in relation to the qualifications and experience of the Directors and Officers is set out on pages 15 to 19.

Principal activities

The principal continuing activities of the Group consisted of:

- · Exploration for coal resources; and
- Development and commercialisation of Coal-to-Liquids (CTL) processes through the combined utilisation of Underground Coal Gasification (UCG) and Gas-to-Liquids (GTL) technologies.

UCG and GTL technologies when combined can economically convert deep underground coal deposits into cleaner, sulphurfree diesel and jet fuels.

Following the acquisition of the Rancher oil assets in Wyoming in March 2011, the Group commenced operating in the conventional oil and gas exploration and production business. The Group plans to combine its unique UCG technology with its conventional oil production assets through the utilisation of waste carbon dioxide for Enhanced Oil Recovery ("EOR"). This is expected to significantly increase the economics of UCG projects and boost the Group's existing oil production.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per	Total	Franked /	Date of
	Share	Amount	Unfranked	Payment
Special dividend	10.0	\$49,642,674	Franked	8 October 2010

The special dividend was fully franked at a rate of 30%.

Review of operations

Information on the operations of the Group and its business strategies and prospects is set out in the Review of Operations and Activities on pages 9 to 14 of this Annual Report.

The Group recorded a net profit after tax attributable to equity holders of Linc Energy Ltd of \$296,455,000 for the year ended 30 June 2011 (2010: loss after tax of \$16,255,000). The profit was mainly attributable to the significant gain on the sale of the Galilee coal tenement in August 2010 for \$500,000,000. The Group also recorded its first revenues from conventional oil sales following completion of the Rancher acquisition in March 2011. A bargain purchase gain of \$6,027,000 was recognised in respect of this acquisition as the fair value of the assets acquired exceeded the consideration paid. Administrative and corporate costs increased from \$22,476,000 to \$55,726,000 during the year reflecting the opening of three offices in North America and an office in London, along with an increase in activity across the group. Included in these costs are several material non-cash items,

including unrealised foreign exchange losses of \$7,707,000 (2010: gain of \$199,000) representing the impact of currency movements on AUD denominated intercompany loans from Linc Energy Ltd to the Group's US subsidiaries, share-based payments expenses of \$15,232,000 (2010: \$8,073,000) and \$11,067,000 of non-cash amortisation expenses (2010: \$18,941,000) attributable to the coal-to-liquids development intangible assets at Chinchilla and in Wyoming. These assets have been estimated to have a remaining useful life of one to three years (2010: one to five years).

The net profit was arrived at after recording income tax expense of \$135,865,000 (2010: benefit of \$47,670,000) reflecting the tax liability on the Galilee coal tenement sale offset by the full utilisation of the Group's carried forward prior year tax losses. No tax expense was recognised in respect of the value of the contingent royalty income. See below for further details on this matter.

Basic earnings per share amounted to 59.27 cents per share (2010: loss of 3.48 cents) while diluted earnings per share was 57.71 cents per share (2010: loss of 3.48 cents).

The Group again experienced a significant increase in staff numbers during the financial year as it ramped up its US operational team and strengthened the corporate support functions throughout the business but particularly in North America. Staff numbers in Australia and the US increased by 86% to 232 (2010:125) at the end of the financial year. Total staff numbers across the group increased to 464 as at 30 June. As a consequence of this growth, employee benefits expenses increased from \$23,903,000 in 2010 to \$38,395,000 in 2011. Included within this amount were non-cash share-based payments expenses of \$15,232,000 (2010: \$8,073,000) reflecting the fair value of options granted under the Employee Option Plan and Rights granted under the Performance Rights Plan in the current and prior years recognised over their vesting periods. Refer to note 29 to the financial statements for more information about the Linc Energy Employee Option Plan and Performance Rights Plan.

At 30 June 2011 the Group had net assets of \$513,721,000 (2010: \$233,325,000). Total liabilities at 30 June 2011 were \$87,232,000 (2010: \$30,963,000). The Group had no significant external debt at 30 June 2011.

Shareholder returns

	2011	2010	2009	2008	2007
Profit/(loss) attributable to equity holders of Linc Energy Ltd	\$296,455,000	(\$16,255,000)	(\$42,176,000)	(\$4,244,000)	(\$3,341,000)
Basic EPS	59.27 cents	(3.48) cents	(10.36) cents	(1.21) cents	(1.04) cents
Diluted EPS	57.71 cents	(3.48) cents	(10.36) cents	(1.21) cents	(0.98) cents
Dividends paid	\$49,642,674	-	-	-	-
Dividends per share	\$0.10	-	-	•	-

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the year were as follows:

- On 3 August 2010, the Company announced the sale of its non-core Galilee coal tenement (EPC1690) to Adani Mining Pty
 Ltd, a subsidiary of Adani Enterprises Group of India, for \$500,000,000. The transaction was completed on 10 August 2010
 and A\$500,000,000 was received in cash. The Company also entered into an agreement with Adani to receive \$2.00 per
 tonne, indexed to inflation, for each tonne of coal produced from the tenement for the first 20 years of production following
 commissioning of a mine.
- On 14 October 2010, the Company announced it had exercised its option to acquire a 10 per cent interest in UK listed hydrogen fuel cell developer AFC Energy Plc (AIM: AFC). The total cost of the acquisition was £2.97 million (A\$4,857,000) and represented 16,763,650 shares at an exercise price of 17.72 pence per share. The price of AFC shares on this date was 32.50 pence. On 30 June 2011, Linc increased its ownership in AFC through the acquisition of an additional 5,237,055 shares at 40.0 pence per share (£2.095 million or A\$3,205,542) taking its interest to 12.0 per cent.
- On 14 October 2010, the Company announced the cancellation of the Convertible Loan Agreement with Springtree Special Opportunities Fund, LP. Following termination of the agreement it was agreed that Springtree would sell on market 2,500,000 of the 3,000,000 collateral shares held by it and remit those funds to Linc Energy net of brokerage fees. Springtree also returned the 10 cent per share dividend paid on the 2,500,000 collateral shares. Linc Energy received a total of \$5,018,000 cash from Springtree and recognised a net gain on this transaction of \$1,954,143. Springtree retained the 10 cent per share dividend on the remaining 500,000 collateral shares. Refer to note 15 of the financial statements for further details of this transaction.

- On 25 February 2011, the Company announced the acquisition of 27,856 acres of producing oil fields in the Powder River Basin in Wyoming, USA from Rancher Energy Corp. The total cost of the acquisition was US\$18,203,000 (A\$18,268,768) and was completed in mid-March 2011 but effective 1 March 2011. The Group recognised a bargain purchase gain of US\$6,005,000 (A\$6,027,000) on acquisition of the assets reflecting the fair value of both the proved and unproved oil fields acquired. Refer to note 27 to the financial statements for further details on this transaction.
- On 28 February 2011, the Company entered into an agreement to subscribe for 755,818 shares at a total cost of US\$6,000,000 (A\$5,903,769) in Powerhouse Energy Plc, an unlisted public company, which subsequently listed on the London Stock Exchange (Alternative Investment Market) in June 2011. The Company also acquired options to subscribe for up to US\$7,000,000 of further shares in Powerhouse Energy in the future. Linc also gained the exclusive rights to Powerhouse Energy's above ground gasification technology for utilisation on all coal and gas to liquid applications. The investment represents a 10 per cent interest in Powerhouse Energy Plc.
- On 6 June 2011, the Company announced that it had entered into an agreement to acquire 14 oil fields consisting of 156 leases covering approximately 13,400 acres in the Gulf Coast region of Texas and Louisiana, United States, from ERG Resources LLC for US\$236,000,000 (subject to due diligence, completion adjustments, consents and pre-emptive rights). The oil fields produce approximately 3,300 barrels per day and contain Net Proven Reserves (1P) of 20.5 million barrels and Net Proven and Probable Reserves (2P) of 22.3 million barrels. On 20 July 2011, the Company announced that it had terminated the contract with ERG Resources LLC ("ERG") to acquire the oil assets in Texas and Louisiana due to certain alleged title defects and other issues identified during pre-completion due diligence. However, on 8 August 2011 the Company announced that it was conducting further negotiations and due diligence activities with the cooperation of ERG to pursue the acquisition. The completion deadline for the original transaction has been extended to allow ERG time to address the matters identified during the due diligence process.
- On 16 June 2011, the Company announced that it had entered into an agreement to acquire a controlling interest in the
 Umiat oil field in Alaska. The acquisition will occur through the purchase of an 84.5% interest in Renaissance Umiat LLC
 (which owns a 100% working interest and 80% net revenue interest in the Umiat project) for approximately US\$50 million
 (subject to working capital adjustments). At 30 June 2011, the Company had paid a deposit of \$US5 million with the
 transaction completed on 6 July 2011 for a total value of USD\$56,416,461 (A\$52,578,249).

Matters subsequent to the end of the financial year

Matters subsequent to the end of the financial year were as follows:

- On 8 July 2011, the Company announced that it had completed the acquisition of the Umiat oil field in Alaska for a total value of US\$56,416,461 (A\$52,578,249).
- On 20 July 2011, the Company announced that it had terminated the contract with ERG Resources LLC ("ERG") to acquire
 oil assets in Texas and Louisiana due to certain alleged title defects and other issues identified during pre-completion due
 diligence. However, on 8 August 2011 the Company announced that it was conducting further negotiations and due
 diligence activities with the cooperation of ERG to pursue the acquisition. The completion deadline for the original transaction
 has been extended to allow ERG time to address the matters identified during the due diligence process.
- On 2 September 2011 Linc Energy became a substantial shareholder in ASX and JSE listed Firestone Energy Limited (ASX/JSE: FSE) with a total interest of 9.57 per cent. The stake was acquired in two stages, with an initial purchase of 133,000,000 securities (representing 4.93 per cent) on-market between 20 May 2011 and 3 June 2011 at an average price of 2.16 cents per share. On 2 September Linc energy signed a subscription agreement to acquire a further 150,336,423 shares via a private placement at 1.2 cents per share. The total cost of acquisition was A\$4,676,844. Firestone Energy Limited is an Australian based exploration and development company with a significant coal asset located in South Africa. As part of the placement, Firestone granted to Linc Energy its UCG, oil and gas rights over the tenements it holds with local JV partner Sekoko Resources (Pty) Ltd.
- On 12 September 2011 the Company announced its intention to carry out an on-market share buy-back of up to five per cent of the Company's fully paid ordinary share capital. The earliest the buy-back can commence is 26 September and the buy-back may occur at any time in the following twelve month period. The Company reserves the right to suspend or terminate the buy-back at any time.

Contingent liability

The Group has disclosed a contingent liability in respect of potential income tax payable in 2011 on the market value at 3 August 2010 of the royalty receivable from Adani from future coal production from the Galilee tenement. Linc Energy does not believe that the contingent royalty income is taxable in the 2011 income tax year on the basis that, if received in future years, the royalty payments would represent ordinary income at that time.

However, due to uncertainty over the treatment of this amount under Australian tax law, the Company has requested a private binding ruling from the Australian Taxation Office in respect of this transaction given its material value. This ruling has not yet been received.

The potential additional tax payable in 2012 in respect of the 2011 financial year would be based on the market value of the royalty as at 3 August 2010. The market value of the royalty takes into account the significant risks and challenges associated with the development of a greenfields mining and infrastructure project of the scale proposed by Adani in the Galilee Basin. The Company is working with external consultants to calculate the market value of the royalty. Due to the complex nature of the valuation and the significant uncertainties associated with its calculation, the Directors do not believe that it is practicable to provide an estimate of the value of the contingent liability at this time.

Likely developments and expected results of operations

Comments on likely developments and expected results of operations of the Group are included in this Annual Report under the Review of Operations and Activities section on pages 9 to 14. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this Annual Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group

Coal Resources

The Group currently holds a large number of exploration tenements in Australia and the United States. The Group's strategy is to actively explore these tenements and identify the best method of commercially exploiting any resources found, either through underground coal gasification, conventional open cut or underground mining or any other available means of extraction.

Where the resource is not suitable for exploitation by UCG, or would be more economically suited to another method of commercial extraction, the Group may seek to divest its interest in the tenement by way of direct sale or indirect participation (e.g. joint venture or farm-out).

Of the tenements controlled by the Group, at the date of this report the following tenements had a JORC certified resource:

Tenement name / reference	Size and location	Exploration target Mt	Measured resources Mt	Indicated resources Mt	Inferred resources Mt	Total resource ¹ Mt	Type of coal	Mining method
Teresa EPC 980, 1267, 1226	357 sq km, Bowen Basin Qld	-		25	285	310	Thermal / Coking	Under- ground
Pentland MDLa 361	27 sq km, Galilee Basin, Qld	-		176	90	266	Thermal	Open cut
Chinchilla EPC 635, 897	245 sq km, Surat Basin, Qld	-	24	383	368	775	Thermal	UCG
South Australia (SAPEX tenements)	74,027 sq km, Walloway and Arckaringa Basins SA	1,000-1,300, Conventional Oil		-		-	Thermal	UCG

¹ Resources certified in accordance with the JORC code. Competent Person's Statement - The information in this report relating to resources is based on information compiled by Troy Turner, who is a member of the Australian Institute of Mining and Metallurgy and who is employed by Xenith Consulting Pty Ltd. Troy Turner has sufficient experience which is relevant to the style of minineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a competent person as defined in the 2004 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Troy Turner consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Oil Reserves

Linc Energy acquired a number of producing oil fields during the year from Rancher Energy Corp. Linc Energy's net hydrocarbon reserves at 30 June 2011 are set out in the table below:

Field	Proved (1P) ¹ Barrels
Big Muddy, Wyoming	23,695
South Cole Creek,	
Wyoming	352,829
South Glenrock A,	
Wyoming	131,651
South Glenrock B,	
Wyoming	501,704
Total	1,009,879

¹These figures are based on an independent third party reserves report prepared by Ryder Scott Company, L.P. dated 22 July 2011. Reserves were estimated based on the definitions and disclosure guidelines contained in the Society of Petroleum Engineers Petroleum Resources Management System (SPE-PRMS).

Environmental regulation

The Group is subject to statutory environmental requirements in various jurisdictions in which it operates in relation to exploration, UCG, GTL and oil production.

In the reporting period, the Group generally complied with its environmental obligations. In some instances, non-compliances were identified that were administrative in nature. The Group was not subjected to any enforcement actions during the reporting period.

In Queensland, the Group must comply with environmental legislation for exploration and UCG activities. The Environmental Protection Act regulates the environmental performance of the Group when conducting environmentally relevant activities (which include exploration, mining by UCG and gas processing). The Group has environmental licences issued for exploration tenements and the Chinchilla Demonstration Facility. The Group considers that at no point has it operated outside the requirements of its environmental permits.

During the financial year, the Group was ordered to conduct an environmental investigation by the Queensland Government. The order related to providing more information to justify the findings of a previous investigation that found salinity in overburden groundwater at the Chinchilla Demonstration Facility was naturally occurring and not the result of the Group's activities. The investigation was duly conducted by the Group and the Queensland Government accepted the findings and took no further action.

In South Australia, the Group's activities are currently limited to exploration. Environmental regulation of exploration activities are controlled through the petroleum legislation. The Group has approved Statements of Environmental Objectives (SEO's) and Environmental Impact Reports (EIR's) for exploration in the Arckaringa, Walloway and Cooper Basins. The Group had two non-compliance events related to very minor leakage of water from exploration wells or groundwater wells. The Group considers that these events did not cause harm to the environment.

In the US the Group has been actively engaged in exploration for UCG prospects in the State of Alaska and characterisation in the State of Wyoming. The drilling is conducted under all appropriate and required permits secured from State and Federal agencies. In Wyoming developing the required mining research and development licence application for the 90 day UCG demonstration progressed well, with submittal scheduled for the end of the third or the beginning of the fourth quarter 2011.

The Group operates the Glenrock oilfield in Wyoming under approvals from the Wyoming Department of Environmental Quality.

The Group was not subjected to any enforcement actions during the reporting period.

Further comments on the Group's environmental management activities can be found in the Review of Operations and Activities on page 9.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

	Full meetings	Full meetings of Directors		Audit and Risk mittee
	Α	В	Α	В
B. Johnson	3	3	1	1
O. Yates	3	3	1	1
P. Bond	6	6	-	-
K. Dark	6	6	2	2
J. Mathews	6	6	2	2
C. Ricato	3	3	-	-

A = Number of meetings attended

A remuneration committee was established on 25 May 2011 but no meetings were held during the financial year.

Other Directors information

Director	Other current directorships	Former directorships in the last 3 years	Special responsibilities
B. Johnson (ceased 25 November 2010)	EnviroGold Limited	None	Chairman and Audit and Risk Committee Member until 25 November 2010
O. Yates	BioCarbon Group Pte Limited Elementus Energy Ltd	None	Acting Chairman from 25 November 2010 to 6 September 2011, Audit and Risk Committee member, Remuneration Committee member
P. Bond	None	None	Managing Director and Chief Executive Officer
K. Dark	None	None	Acting Chairman from 6 September 2011, Audit and Risk Committee Chairman, Remuneration Committee member
J. Mathews	None	None	Audit and Risk Committee member, Remuneration Committee Chairman
C. Ricato	None	None	Executive Director - Legal and Corporate Affairs

Retirement, election and continuation in office of Directors

Mr Craig Ricato and Mr Jon Mathews retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr Oliver Yates has expressed his intention to retire from the Board at the end of November 2011.

B = Number of meetings held during the time the director held office or was a member of the committee

REMUNERATION REPORT (audited)

The remuneration report is set out below under the following main headings:

- A. Principles used to determine the amount and nature of remuneration
- B. Key management personnel
- C. Service agreements
- D. Details of remuneration
- E. Share-based compensation.

A Principles used to determine the nature and amount of remuneration

The objective of the Group is to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. Accordingly the Group has adopted remuneration policies that aim to attract and retain talented and motivated Directors and employees so as to encourage enhanced performance of the Group. It is important that there be a clear relationship between performance and remuneration, and that the policy underlying executive remuneration be understood by investors.

The Board aims to ensure that executive reward satisfies the following key criteria as part of its good governance practices:

- Competitiveness and reasonableness;
- Acceptability to Shareholders;
- Performance linkage/alignment of executive compensation; and
- Deliver a balanced solution addressing all elements of total remuneration.

In consultation with external remuneration consultants (where appropriate), the Group has structured an executive remuneration framework that is market competitive and complimentary to the strategies of the organisation. The framework may provide a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards. Remuneration is not directly linked to the financial performance of the Group. Remuneration is reviewed annually.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board.

Non-Executive Directors' remuneration

The current base remuneration was last reviewed with effect from 1 July 2010. The Chairman's remuneration effective from 1 July 2010 of \$65,000 per annum (exclusive of superannuation) is inclusive of committee fees while Non-Executive Directors who chair a committee may receive additional yearly fees. The board subsequently resolved to pay Oliver Yates a fee of \$120,000 per annum (exclusive of superannuation) while Chairman or Acting Chairman reverting to the Non-Executive Directors fee if a new Chairman is elected. Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which was reviewed at the Annual general Meeting in 2010 and was increased to an amount not exceeding \$500,000 per annum (excluding superannuation and share based payments). The maximum base salary for non-executive directors currently stands at \$55,000 per annum (exclusive of superannuation) per director (other than the Chairman). Non-executive directors are also eligible to participate in the Linc Energy Ltd Employee Option Plan and/or Performance Rights Plan.

Executive pay

The executive pay and reward framework has four components: base pay and benefits; performance-related bonuses; long-term incentives through participation in the Linc Energy Ltd Employee Option Plan and/or Performance Rights Plan; and other remuneration such as superannuation and long service leave. The combination of these comprises the executive's total remuneration.

Base pay and benefits

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants and data provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to assess whether the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. Some executive contracts include guaranteed base pay increases. As part of their base pay arrangements, executives may receive benefits including motor vehicles, car parking, professional memberships and conferences.

Performance-related bonuses

The Group has not paid or provided for performance related bonuses in the current financial year. A formal short-term incentive program may be introduced in the 2012 financial year.

B Key management personnel

The following table sets out the persons who were key management personnel or one of the five highest remunerated executives of the Company or Group for the financial year:

Name	Position	Employment period
2011		
B. Johnson	Chairman	Ceased 25 November 2010
P. Bond	Managing Director	Full year
K. Dark	Non-Executive Director and Acting Chairman	Full year Appointed Acting Chairman on 6 September 2011
J. Mathews	Non-Executive Director	Full year
O. Yates	Non-Executive Director and Acting Chairman	Commenced 1 October 2010 Ceased Acting Chairman on 6 September 2011
A. Rohner	Chief Financial Officer	Full year
C. Ricato	Executive Director, Legal and Corporate Affairs	Full year Appointed Director 1 October 2010
K. Terblanche	President, Linc Energy Operations Australia & Africa Formerly Chief Operating Officer	Appointed Director 1 October 2010 Appointed 17 June 2011 Ceased 16 June 2011
D. Smith	Chief Operating Officer	Appointed 17 June 2011
	Formerly Executive General Manager - Business Development and Government Relations	Ceased 16 June 2011
D. Schofield	President - Linc Energy Operations, USA Formerly General Manager - New Projects	Appointed 14 September 2010 Ceased 13 September 2010
2010		
B. Johnson	Chairman	Full year
P. Bond	Managing Director	Full year
K. Dark	Non-Executive Director	Full year
J. Mathews	Non-Executive Director	Commenced 23 December 2009
R. Stratford	Chief Financial Officer	Ceased 1 October 2009
A. Rohner	Chief Financial Officer	Commenced 2 November 2009
S. Dumble	Chief Operating Officer	Ceased 19 March 2010
J. Peters	Executive General Manager - Asia	Full year
C. Ricato	General Counsel and Company Secretary	Full year
K. Terblanche	Chief Operating Officer Formerly General Manager Gas to Liquids	Commenced 1 March 2010 Ceased 30 April 2010
D. Smith	Executive General Manager - Business Development and Government Relations	Full year
D. Rattai	Executive General Manager - Underground Coal Gasification	Commenced 3 August 2009
W. Parkey	President - Americas	Commenced 15 March 2010 Ceased 14 September 2010

C Service agreements

Remuneration and other terms of employment for the Directors and the other key management personnel are formalised in service agreements. The major provisions of these agreements, including termination provisions are set out below:

Name	Duration	Conditions	Termination/Notice period		
O. Yates Two year appointment		Base fee of \$120,000 per annum plus 9% superannuation while Chairman or Acting Chairman. Salary reverts to \$60,000 per annum plus 9% superannuation if no longer Chairman. Eligibility to participate in the Company's Performance Rights plan.	Not eligible for any termination benefit.		
P. Bond	Three year contract to 31 December 2013	Base fee, inclusive of superannuation of \$500,000 to be increased to \$1,000,000 in three equal amounts at 1 January each year over the three year term. Eligibility to participate in the Company's Performance Rights plan.	Termination payment of management fee for the unexpired period of the entire term.		
K. Dark	Two year appointment	Director's Fees of \$55,000 per annum plus 9% superannuation as fixed by Shareholders in general meeting. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Not eligible for any termination benefit.		
J. Mathews	Two year appointment	Director's Fees of \$55,000 per annum plus 9% superannuation as fixed by Shareholders in general meeting. Eligibility to participate in the Company's Performance Rights plan.	Not eligible for any termination benefit.		
A. Rohner	Contract to 1 January 2013	Base salary of \$320,000 plus 9% superannuation to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Maximum equivalent to six months salary. Three month notice period in writing.		
C. Ricato	Three year contract to 12 March 2013	Executive management fee of \$381,500 per annum with a set increase of 10% per annum. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Termination payment of the lesser of 12 months management fee or for the unexpired period of the entire term. Three month notice period in writing.		
K. Terblanche	Three year contract to 1 March 2013	Base salary of \$375,000 plus 9% superannuation to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Maximum equivalent to six months salary. Three month notice period in writing.		
D. Smith	Contract to 31 July 2014	Executive management fee of \$375,000 to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Termination payment of the lesser of 12 months management fee or for the unexpired period of the entire term. Three month notice period in writing.		
D. Schofield	Contract to 12 November 2012	Base salary of A\$360,000 plus 9% superannuation to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Maximum equivalent to three months salary. Three month notice period in writing.		

D Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and the other key management personnel of the Company and Group are set out in the following tables. None of the remuneration consists of a variable component linked to performance.

		Short Term	eı	Post- employment	Long term benefits	Share base	d payments		
Name	Cash salary and fees	Non- monetary benefits	Monetary benefits	Super- annuation	Long Service leave	Options ¹	Rights ¹	Total	Remuneration consisting of share based payments
	\$	\$	\$	\$	\$	\$	\$	\$	%
2011									
B. Johnson	30,906	-	-	2,782	-	-	-	33,688	-
P. Bond	534,862	54,981	-	48,138	-	-	-	637,981	-
K. Dark	55,000	-	-	4,950	-	-	-	59,950	-
J. Mathews ²	59,308	-	-	5,338	-	-	370,832	435,478	85.2
O. Yates	81,000	-	-	7,290	-	-	741,663	829,953	89.4
A. Rohner	288,846	30,973	-	25,996	1,701	495,120	-	842,636	60.2
C. Ricato	399,853	31,357	-	32,941	-	105,133	1,444,853	2,014,137	77.0
K.Terblanche	408,152	54,928	-	36,734	3,483	296,530	1,328,298	2,128,125	76.4
D. Smith	266,731	31,702	-	24,006	2,551	134,993	923,457	1,383,440	76.5
D.Schofield	361,846	48,331	-	29,686	5,367	40,323	-	485,553	8.3
	2,486,504	252,272	-	217,861	13,102	1,072,099	4,809,103	8,850,941	66.4
2010									
B. Johnson	50,000	-	-	-	-	37,499	-	87,499	42.9
P. Bond	340,216	42,997	-	30,619	-	-	-	413,832	-
K. Dark	40,000	-	-	3,600	-	22,499	-	66,099	34.0
J. Mathews	16,667	-	-	1,500	-	-	-	18,167	-
R. Stratford	103,205	-	-	8,250	-	164,977	-	276,432	59.7
A. Rohner	167,000	2,073	-	15,030	555	441,194	-	625,852	70.5
S. Dumble	258,508	36,395	-	20,060	-	279,326	-	594,289	47.0
J. Peters	240,000	-	-	21,600	4,635	107,808	-	374,043	28.8
C. Ricato	293,692	8,830	-	26,432	5,056	378,836	346,144	1,058,990	68.5
K.Terblanche	273,596	19,202	-	24,624	1,948	532,745	-	852,115	62.5
D. Smith	230,000	-	-	20,700	1,844	287,412	-	539,956	53.2
D. Rattai	207,885	21,717	-	18,710	676	295,673	363,108	907,769	72.6
W. Parkey	75,000	-	2,404	-	-	-	124,880	202,284	61.7
	2,295,769	131,214	2,404	191,125	14,714	2,547,969	834,132	6,017,327	56.2

¹ The values shown in the table above for share-based payments reflects the fair value of the share-based payment recognised as an expense for each person during the year.

² The Directors fees disclosed as paid to J Mathews during the 2011 year includes an amount of \$4,308 in respect of the 2010 year.

E Share-based compensation

Employee option plan

The establishment of the Linc Energy Ltd Employee Option Plan was approved by Shareholders at the 2005 Annual General Meeting. Following changes to the taxation of employee share schemes announced in the 2009 Federal Budget, the Option plan was replaced by the Performance Rights Plan, which was approved by shareholders at the 2009 Annual General Meeting.

Options were granted at the discretion of the Board in accordance with the rules of the plan and all directors and staff employed by the Company or its subsidiaries are eligible to participate in the plan. As determined by the Board, a minimum continuous period of employment (usually twelve months) with the Company or any of its subsidiaries is required prior to the first exercise date, which falls on 31 December annually. The option exercise price is set at the discretion of the Board, but is generally the ten day VWAP following commencement of employment with the Group. Subject to ongoing employment by the Company or any of its subsidiaries, options vest over three consecutive years from the initial grant date, with one-third of the total options awarded vesting and exercisable each year. Additional options can be granted at the Board's discretion, with those options exercisable at the end of the fourth or subsequent years.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option has a life of two years and is convertible into one ordinary share. The options were provided at no cost to the recipients and there are no performance conditions attached to them. The Company believe this creates an effective retention tool whilst at the same time providing alignment between the interests of management and shareholders.

Option holdings and grants

No options have been granted to directors or key management personnel during the financial year.

Option vesting profile

Details of vesting profiles of the options granted as remuneration to key management personnel of the Group are set out below:

Name	Number of options	Grant date	% vested in year	% forfeited in year	Vesting dates
A. Rohner	666,667	2 Nov 2009	100%	-	31 Dec 2010
	666,667	2 Nov 2009	-	-	31 Dec 2011
	666,666	2 Nov 2009	-	-	31 Dec 2012
C. Ricato	500,000	29 Apr 2008	100%	-	31 Dec 2010
K. Terblanche	666,667	17 Dec 2008	100%	-	31 Dec 2010
	666,666	17 Dec 2008	-	-	31 Dec 2011
D. Smith	200,000	4 Aug 2008	100%	-	31 Dec 2010
	200,000	4 Aug 2008	-	-	31 Dec 2011
D. Schofield	666,666	27 Nov 2007	100%	-	31 Dec 2010

Set out below is a summary of the number of options granted under the Employee Option Plan to key management personnel of the Group and held at the end of the financial year.

Name	Expiry date ¹	Exercise price	Balance at start of year ⁴	Granted	Exercised	Disposed ²	Forfeited	Balance at end of year ⁵
		\$	Number	Number	Number	Number	Number	Number
2011								
B. Johnson		-	-	-	-	-	-	-
P. Bond		-	-	-	-	-	-	-
K. Dark	31 Dec 2011	0.25	2,000,000	-	(1,000,000)	-	-	1,000,000
J. Mathews		-	-	-	-	-	-	-
O. Yates		-	-	-	-	-	-	-
A. Rohner	31 Dec 2014	1.53	2,000,000	-	-	(266,667)	-	1,733,333
C. Ricato	31 Dec 2012	0.70	1,500,000	_	-	(1,000,000)	_	500,000
K. Terblanche	31 Dec 2013	1.91	2,000,000	_	-	(300,000)	-	1,700,000
D. Smith	31 Dec 2013	2.98	600,000	_	-	· · · · ·	_	600,000
D. Schofield	31 Dec 2014	0.76	1,800,000	_	-	(650,000)	-	1,150,000
			9,900,000	-	(1,000,000)	(2,216,667)	-	6,683,333
Weighted avera	ge exercise price S	5	1.17	0.00	0.25	0.98	0.00	1.48
2010								
B. Johnson	31 Dec 2011	0.25	4,416,000	-	(4,416,000)	-	-	-
P. Bond		-	-	-	-	-	-	-
K. Dark	31 Dec 2011	0.25	2,000,000	-	-	-	-	2,000,000
J. Mathews		-	-	-	-	-	-	-
R. Stratford	31 Dec 2014	2.35	2,000,000	-	-	-	(2,000,000)	-
A. Rohner	31 Dec 2014	1.53	-	2,000,000	-	-	-	2,000,000
S. Dumble	31 Dec 2012	0.76	4,833,333	-	(666,667)	(2,500,000)	(1,666,666)	-
J. Peters	31 Dec 2013	0.25 to 3.16	2,260,000	-	(200,000)	-	-	2,060,000
C. Ricato	31 Dec 2012	0.70	1,500,000	-	-	-	-	1,500,000
K. Terblanche	31 Dec 2013	1.91	2,000,000	-	-	-	-	2,000,000
D. Smith	31 Dec 2013	2.98	600,000	-	-	-	-	600,000
D. Rattai	31 Dec 2014	1.42	-	1,500,000	-	-	(1,500,000) ³	-
			19,609,333	3,500,000	(5,282,667)	(2,500,000)	(5,166,666)	10,160,000
Weighted avera	ge exercise price S	\$	0.91	1.48	0.31	0.76	1.57	1.12

¹ Options vest and are exercisable over three consecutive years from the initial grant date, with one-third of the total options awarded vesting and exercisable at 31 December each year following completion of a minimum service period, usually twelve months. The expiry date disclosed is the expiry date of the third and final tranche of options. Where an employee has been employed for greater than three years, an additional award of options may be granted at the discretion of the Board in the employee's fourth year.

² In accordance with a resolution of the Board, directors and employees may dispose of their vested options to a third party. The third party remains subject to the employee option plan rules in respect of options held.

³ Options were cancelled and subsequently an equivalent number of performance rights issued with the same expiry dates. No amount will be paid per share on issue.

⁴ Or date commenced as a key management person.

 $^{^{\}rm 5}$ Or date ceased as a key management person.

Hedging of equity based compensation arrangements

The Group currently does not have a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

Exercise of options granted as compensation

During the reporting period, the following shares were issued on the exercise or disposal of options previously granted as compensation to key management personnel:

	Number of shares	Amount paid per share
Directors		_
K. Dark	1,000,000	0.25
C. Ricato (including options disposed to a third party and subsequently exercised)	1,000,000	0.70
Key management personnel		
A. Rohner (including options disposed to a third party and subsequently exercised)	266,667	1.53
K. Terblanche (including options disposed to a third party and subsequently exercised)	300,000	1.91
D. Schofield (including options disposed to a third party and subsequently exercised))	650,000	0.76

There were no amounts unpaid on the shares issued as a result of the exercise of the options in the 2011 financial year.

Option values

The options over ordinary shares in the Company held at the end of the financial year by each Director and other key management personnel of the Group, including their personally related parties, are set out below. In the table below, the values shown for the categories of options granted, options exercised and options lapsed during the year reflect the total amount of share-based payment expense recognised for each person.

Name	Balance at the end of the year	Vested at the end of the year	Unvested at the end of the year	Value of options granted during the year ¹	Value of options exercised during the year ²	Value of options disposed during the year ³	Value of options lapsed during the year ³
	Number	Number	Number	\$	\$	\$	\$
2011							
B. Johnson	-	-	-	-	-	-	-
P. Bond	-	-	-	-	-	-	-
K. Dark	1,000,000	1,000,000	-	-	2,480,000	-	-
J. Mathews	-	-	-	-	-	-	-
O. Yates	-	-	-	-	-	-	-
A. Rohner	1,733,333	400,000	1,333,333	-	-	354,667	-
C. Ricato	500,000	500,000	-	-	-	2,090,000	-
K. Terblanche	1,700,000	1,033,334	666,666	-	-	285,000	-
D. Smith	600,000	400,000	200,000	-	-	-	-
D. Schofield	1,150,000	1,150,000	-	-	-	1,096,000	-
	6,683,333	4,483,334	2,199,999	-	2,480,000	3,825,667	-

¹ The value of options granted during the year is the fair value of the options calculated at grant date using a Monte-Carlo option pricing model.

² The value of options exercised and disposed during the year is calculated as the market price of the shares of the Company as at close of trading on the date the options were exercised or disposed after deducting the price paid to exercise the option.

³ The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the options lapsed using a Black Scholes option pricing model assuming vesting conditions had been met.

Employee performance rights plan

The establishment of the Linc Energy Employee Performance Rights Plan was approved by Shareholders at the 2009 Annual General Meeting. Under the Plan, the Board may from time to time invite a full time employee or director of the Company or controlled entity of the Company whom the Board decides in its absolute discretion is eligible to be invited to receive a grant of Rights in the Plan, to participate in the Plan and grant the eligible employee a right to acquire fully paid ordinary shares in the Company on conversion of the right as part of the eligible employee's remuneration.

Rights vest in three equal tranches over three years, with the first tranche vesting twelve months following successful completion of an employee's probation period (generally six months). Rights can also be granted on promotion and may vest in three equal tranches over three years with the first tranche vesting 12 months from promotion date or as one tranche and vest 12 months from promotion date. The number of Rights granted to an employee is determined at the discretion of the Board and is generally based on a formula taking into account an employee's base salary, level within the Company and the Company's share price at the time of grant. Rights are granted to employees at no cost but may include non-market-based performance conditions. Rights automatically convert to shares on the vesting dates provided all vesting conditions have been met. Other than a time based service condition, there were no other vesting conditions applicable for rights granted to key management personnel during the current financial year.

Rights granted under the plan carry no dividend or voting rights until they convert to ordinary shares.

Performance rights holdings and grants

Set out below is a summary of the rights granted as compensation under the Employee Performance Rights Plan to key management personnel of the Group during the reporting period.

Name	Number of rights granted	Grant date	Vesting date	Fair value per right at grant date	Number of rights vested during 2011	% vested in year	Number of rights forfeited during 2011	% forfeited in year
	Number			\$	Number	%	Number	%
2011								
J. Mathews	125,000	25 Nov 10	25 Nov 11	2.39	-	-	-	-
	125,000	25 Nov 10	25 Nov 12	2.39	-	-	-	-
	125,000	25 Nov 10	25 Nov 13	2.39	-	-	-	-
	125,000	25 Nov 10	25 Nov 14	2.39	-	-	-	-
O. Yates	250,000	25 Nov 10	25 Nov 11	2.39	-	-	-	-
	250,000	25 Nov 10	25 Nov 12	2.39	-	-	-	-
	250,000	25 Nov 10	25 Nov 13	2.39	-	-	-	-
	250,000	25 Nov 10	25 Nov 14	2.39	-	-	-	-
K. Terblanche	666,667	1 Jul 10	1 Mar 11	1.01	666,667	100	-	-
	666,667	1 Jul 10	1 Mar 12	1.01	-	-	-	-
	666,666	1 Jul 10	1 Mar 13	1.01	-	-	-	-
D. Smith	500,000	1 Jul 10	1 Jul 11	1.01	-	-	-	-
	500,000	1 Jul 10	1 Jul 12	1.01	-	-	-	-
	500,000	1 Jul 10	1 Jul 13	1.01	-	-	-	-
	5,000,000				666,667	13.3	-	-

Fair value of rights granted

The fair value at grant date is determined using the market price of shares of the Company as at the close of trading on the date the rights are granted.

Rights over equity instruments

The movement during the reporting period in the number of rights to ordinary shares in Linc Energy Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Balance at	Number of rights granted	Vested during	Unvested
	start of year ¹	as compensation during year	the year	balance at end of the year ²
	Number	Number	Number	Number
2011				
B. Johnson	-	-	-	-
P. Bond	-	-	-	-
K. Dark	-	-	-	-
O. Yates	-	1,000,000	-	1,000,000
J. Mathews	-	500,000	-	500,000
A. Rohner	-	-	-	-
C. Ricato	1,750,000	-	(500,000)	1,250,000
K. Terblanche	-	2,000,000	(666,667)	1,333,333
D. Smith	-	1,500,000	-	1,500,000
D. Schofield	-	-	-	-
	1,750,000	5,000,000	(1,166,667)	5,583,333
2010				
D. Rattai	-	1,500,000	-	1,500,000
C. Ricato	-	1,750,000	-	1,750,000
	-	3,250,000	-	3,250,000

Or date commenced as a key management person.

² Or date ceased to be a key management person.

Shareholdings

The numbers of shares in the Company held during the financial year by each Director and other key management personnel of the Group are set out below. There were no shares granted during the reporting period as compensation.

Name	Balance at the start of the year ⁴	Additions	Disposals	Balance at the end of the year ⁵
	Number	Number	Number	Number
Ordinary shares				
2011				
B. Johnson ¹	1,000,000	-	(1,000,000)	-
P. Bond ²	200,923,904	1,197,124	-	202,121,028
K. Dark	597,503	1,000,000	(580,503)	1,017,000
J. Mathews	-	-	-	-
O. Yates	-	278,551	-	278,551
A. Rohner	-	-	-	-
C. Ricato	-	500,000	-	500,000
K. Terblanche	-	666,667	(351,666)	315,001
D. Smith ³	28,143	-	(10,000)	18,143
D. Schofield	-	750,000	(750,000)	-
	202,549,550	4,92,342	(2,692,169)	204,249,723
2010				
B. Johnson ¹	1,000,000	4,416,000	(4,416,000)	1,000,000
P. Bond ²	200,923,904	-	-	200,923,904
K. Dark	822,503	-	(225,000)	597,503
S. Dumble	-	666,667	-	666,667
J. Peters	40,480	200,000	(210,000)	30,480
D. Smith ³	21,000	7,143	-	28,143
	202,807,887	5,289,810	(4,851,000)	203,246,697

¹ Mr Johnson's shares are held via Moonstar Investments Pty Ltd atf The Pemberley Trust.

 $^{^{2}}$ Mr Bond's shares are held via Newtron Pty Ltd or its nominees.

 $^{^{\}rm 3}$ Mr Smith's shares are held via a related party.

⁴Or date commenced being a key management person

⁵ Or date ceased to be a key management person

Share options

At 1 September 2011, total unissued ordinary shares of the Company under option are:

Expiry date	Exercise price range	Number of shares
31 December 2011	\$0.25 to \$3.16	4,071,278
31 December 2012	\$0.25 to \$3.16	4,862,834
31 December 2013	\$0.59 to \$3.16	4,006,992
31 December 2014	\$1.34 to \$3.16	1,550,326
25 June 2012	\$2.90	3,000,000
30 March 2012	\$1.95	3,150,000
Total		20,641,430

The options do not entitle the holder to participate in any share issue of the Company. All options expire on the earlier of their expiry date or one month after an employee's termination date.

Shares issued on exercise of options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
3,499,070	\$0.25
66,667	\$0.59
2,949,666	\$0.60
1,083,334	\$0.70
148,333	\$0.75
750,000	\$0.76
20,000	\$0.79
697,493	\$0.97
10,000	\$1.40
10,000	\$1.42
18,334	\$1.51
66,666	\$1.52
10,000	\$1.53
846,668	\$1.60
93,334	\$1.62
233,334	\$1.64
43,334	\$1.79
66,667	\$1.88
333,334	\$1.95
33,334	\$1.97
33,333	\$2.16
133,334	\$2.45
20,000	\$2.55
11,189,569	

Performance rights

At 1 September 2011, total unissued ordinary shares of the Company under performance rights are:

Vesting date (calendar year)	Number of shares	
2011	2,380,584	
2012	5,048,362	
2013	4,308,509	
2014	1,286,190	
2015	32,161	
Total	13,055,806	

The rights do not entitle the holder to participate in any share issue of the Company.

Shares issued on vesting of Performance Rights

During or since the end of the financial year, the Company issued 3,675,102 ordinary shares as a result of vested performance rights.

Share buy-back

On 12 September 2011, Linc Energy Ltd announced its intention to conduct an on-market buy-back of up to 5% of the Company's fully paid ordinary shares. The earliest date the buy-back could commence is 26 September 2011 based on regulatory requirements and the buy-back may occur any time during the following twelve months.

As at the date of signing this report 865,000 shares have been bought for a total consideration of \$1,477,420

Auditor

KPMG was appointed as auditor at the annual general meeting on 27 November 2008 and continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company is important. The Board of Directors has considered the non-audit services provided during the year by the auditor and in accordance with the written advice of the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been
 reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the
 auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

During the year the following fees were paid or payable for audit and non-audit services provided by the auditor of the Company, its related practices and non-related audit firms:

	2011	2010
	\$	\$
Audit services		
KPMG Australia	293,000	147,000
Overseas KPMG firms	121,853	-
	414,853	147,000
Services other than statutory audit:		
KPMG Australia:		
Taxation advisory services	49,900	8,970
IT advisory services	54,797	-
	104,697	8,970

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 46 and forms part of the Directors' Report.

Loans to Directors and executives

There are no loans to any Directors or executives.

Insurance of officers

Linc Energy Ltd has obtained Directors and Officers Liability Insurance. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance cover, as such disclosure is prohibited under the terms of the contract.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Financial Report and Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Peter Bond

Managing Director

27 September 2011

CORPORATE GOVERNANCE STATEMENT

Linc Energy Ltd and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board guides and monitors the Company's activities on behalf of the shareholders. In developing policies and standards the Board considers the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations (2nd Edition with 2010 Amendments (the CGC Recommendations). The Corporate Governance Statement set out below describes the Company's current corporate governance principles and practices which the Board considers to comply with the CGC Recommendations.

As the framework of how the Board of Directors at Linc Energy Ltd ("Company") carries out its duties and obligations, the Board has considered the eight principles of corporate governance as set out in the ASX Corporate Governance Principles and Recommendations, 2nd Edition ("Principles").

The eight principles of corporate governance are:

- 1. Lay solid foundations for management and oversight
- 2. Structure the Board to add value
- 3. Promote ethical and responsible decision-making
- 4. Safeguard integrity in financial reporting
- 5. Make timely and balanced disclosure
- 6. Respect the right of shareholders
- 7. Recognise and manage risk
- 8. Remunerate fairly and responsibly

There are a number of recommendations in the Principles with which the Company does not comply due to the size of the Company and the Board and its practical management requirements.

A summary of the Principles and those recommendations with which the Company does not comply are detailed at the end of this statement.

Principle 1 - Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of Board and management.

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Board is responsible for the governance of the Company. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the Company's Constitution. The Board's responsibilities are encompassed in a formal Charter published on the Company's website. The Charter is reviewed annually to determine whether any changes are necessary or desirable.

The major powers the Board has reserved to itself are:

- Reviewing and approving the Company's strategic plans and performance objectives and reviewing the underlying assumptions and rationale;
- Monitoring financial outcomes and the integrity of reporting, and in particular, approving annual budgets and longer-term strategic and business plans;
- Monitoring the effectiveness of the Company's audit, risk management and compliance systems that are in place to protect the Company's assets and to minimise the possibility of the Company's operating beyond acceptable risk parameters;
- Monitoring compliance with legislative and regulatory requirements (including continuous disclosure) and ethical standards, including reviewing and ratifying codes of conduct and compliance systems;
- Selecting, appointing and monitoring the performance of the Chief Executive Officer ("CEO"), and if appropriate, terminating the appointment of the CEO;
- Reviewing senior management succession planning and development and ensuring appropriate resources are available;
- Reviewing and recommending to shareholder the appointment or if appropriate the termination of the appointment of the external auditor; and
- Monitoring the timeliness and effectiveness of reporting to shareholders.

New Directors receive a formal letter of appointment along with an induction pack. The contents of the appointment letter and induction pack contain sufficient information to allow the new Director to gain an understanding of:

- The Company's financial, strategic, operational and risk management position;
- · The rights, duties and responsibilities of Directors;
- · The roles and responsibilities of the Executive Team; and
- The role of Board Committees.

The Board delegates to the CEO responsibility for implementing the Company's strategic direction and for managing the Company's day-to-day operations. Clear lines of communication have been established between the Chairman and the CEO to ensure that the responsibilities and accountabilities of each are clearly understood.

Specific limits on the authority delegated to the CEO and other officers and management of the Company are set out in the Delegated Authorities Summary approved by the Board.

Recommendation 1.2 - Company's should disclose the process for evaluating the performance of the Executive Team (Performance evaluation).

All Executive Team members have formal position descriptions and each year key performance measures are established in line with their roles and responsibilities.

The CEO has personal objectives related to business units and the Company as a whole.

The Chairman, together with the full Board, assesses the performance of the CEO against those objectives on a regular basis at Board meetings. The Board also monitors the performance of the Chief Operating Officer ("COO"), Chief Financial Officer ("CFO"), Company Secretary and other members of the Executive Team. The Company will move to more formal processes with the introduction of the Remuneration Committee which has been established during the year ended 30 June 2011.

Executive Team Performance evaluations have been conducted for the financial year ended 30 June 2011.

All newly appointed executives receive formal letters of appointment describing their terms of appointment, duties, rights and responsibilities and entitlements on termination.

An induction program is in place to enable newly appointed Executives to gain an understanding of:

- The company's financial position, strategies, operations and risk management policies; and
- The respective rights, duties, responsibilities and roles of the Board and the Executive Team.

Principle 2 - Structure the Board to add value

The Board's size and composition is subject to limits imposed by the Company's constitution, which provides for a minimum of three Directors and a maximum of ten. The Board is composed of Directors with diverse skills and experience, relevant to the business of the Company and a mixture of executive and independent non-executive directors.

The Board met 6 times during the financial year. Director's attendances are set out on Page 25 of this Annual Report.

Recommendation 2.1: A majority of the Board should be independent directors.

In accordance with the ASX Principles, the Board consists of a majority of independent Directors.

The Company considers an independent Director to be a Director who does not have any material relationship with the Company that a reasonable person would consider may influence the Director's ability to:

- Objectively make decisions on matters that come before the Board;
- Carry out their duties as a Director acting in the best interest of the Company; or
- Be free of real or reasonably perceived conflict of interests.

In assessing independence, the Board reviews the relationship that the Director and their immediate family have with the Company. In particular the Board applies the following criteria in determining independence:

- Non-executive Director;
- Is not a shareholder of the Company holding more than five percent of the voting shares or an officer of, or otherwise associated directly with, a shareholder of the Company holding more than five percent;
- Within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- Within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provider;
- Is not a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has no material contractual relationship with the Company or another Group member other than as a Director of the Company;
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company;
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board regularly assesses the independence of Non-Executive Directors and has specifically considered the independence of all Non-Executive Directors, in accordance with the above criteria, during the financial year. The Board has determined that each Non-Executive Director remains independent.

The Directors in office at the date of this statement are:

Ken Dark Independent Non-Executive Acting Chairman

Peter Bond Managing Director / CEO

Jon Mathews Independent Non-Executive Director Oliver Yates Independent Non-Executive Director

Craig Ricato Executive Director - Corporate and Legal Affairs

Refer to page 15 for details of each director's profile.

Recommendation 2.2: The chair should be an independent director.

The Acting Chairman of the Company is Mr Ken Dark who is a Non-executive and Independent Director.

Recommendation 2.3: The roles of the chair and managing director should not be exercised by the same individual.

The roles of the Chairman and Managing Director are not exercised by the same individual. The Acting Chairman, Mr Ken Dark, is responsible for leading the Board in its Duties, facilitating effective discussions at Board level and ensuring that general meetings are conducted efficiently, whereas, the Managing Director, Mr Peter Bond, is responsible for the efficient and effective operation of the Company.

Recommendation 2.4: The Board should establish a nomination committee.

The Board has not established a nomination committee. The Board, as a whole, deals with areas that would normally fall within the charge of the Nomination committee. These include matters relating to the renewal of Board Members and Board Performance.

The Board is currently developing a selection and appointment procedure for new directors. Details of the Board's policy on nomination and appointment of Director's will be made publicly available on the Company's website once completed.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

The Board undertakes ongoing self-assessment and review of its performance and of the performance of the Chairman, individual Directors and the Audit Committee that:

- Compares the performance of the Board with the requirements of the Board Charter;
- Sets forth the goals and objectives of the Board for the upcoming year; and
- Effects any improvements to the Board Charter that are necessary or desirable.
- The Board also discusses with each Director their requirements, performance and aspects of involvement in the Company.

This evaluation shall be conducted by the Board in any manner it deems fit and shall also consider the annual assessment of the effectiveness of the Board as conducted. The Company will move to more formal processes with the introduction of the Remuneration Committee which was established during the year ending 30 June 2011.

The Board Charter, including the evaluation process for the Board, is available on the Company's website.

Principle 3 - Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- The Practices necessary to maintain confidence in the Company's integrity;
- The Practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;
 and
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company is committed to Directors and employees maintaining high standards of integrity and ensuring that activities are in compliance with the letter and spirit of both the law and Company policies.

Directors are acquainted with obligations imposed on them and the Company by the Corporations Act and are familiar with other documents prepared by the Company to meet Corporate Governance requirements:

- Linc Energy Ltd Code of Conduct
- · Linc Energy Ltd Corporate Governance Practices and Policies

The Objective of the Company's Code of Conduct is to help Directors and Employees make informed choices about their behaviour. The Code summarises the values which support the vision of the Company to be a leader in clean coal technology, as well as describing important behaviours relating to corporate citizenship, fair dealing and the environment.

The Company's Corporate Governance Practices and Policies summarises the Corporate Governance practices put in place by the Board, including:

- > The Role of the Board
- Composition of the Board
- Independence of the Board
- > Audit Committee and Risk Management
- Board Committees
- > Ethical Standards
- Dealing in Shares
- Continuous Disclosure

The Company's Code of Conduct and Corporate Governance Practices and Policies are available on the Company's website.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Company has a Securities Trading Policy, adopted on 20 December 2010, the objective of which is to minimise the risk of Directors, Officers and Employees of the Company contravening the laws against insider trading, ensuring the Company is able to meets its reporting obligations under the ASX Listing Rules and increase transparency with respect to trading in securities of the Company by Directors, Officers and Employees.

All Directors, Officers and Employees covered by the Company policy shall not trade Company securities during the following periods:

- 1. For a period of 30 days preceding the expected announcement of the Company's results for the full financial year or half-year financial results. All employees are notified at each reporting period when this restriction commences.
- 2. At any time where a Director, Officer, Senior Manager or Employee involved in commercially sensitive negotiations, or is aware that the Company is in confidential negotiations, or other special circumstances are in existence, which have not been announced to the market and where those negotiations or circumstances are likely to have a material impact on the value of the Company's securities were the information available to the market.

The Company's Securities Trading Policy is available on the Company's website.

Principle 4 - Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1: The Board should establish an audit committee.

Recommendation 4.2: The audit committee should be structured so that it:

- Consists of only non-executive directors
- Consists of a majority of independent directors
- Is chaired by an independent chair, who is not chair of the Board
- Has at least three members.

The Board has established an Audit and Risk Management Committee.

The Committee comprises:

Chairman Mr Ken Dark - Non-executive and independent Acting Chairman

Member Mr Oliver Yates - Non-executive and independent Director Member Mr Jon Mathews - Non-executive and independent Director

The Committee collectively and its members individually have access to internal and external resources, including access to advice from external consultants or specialists. The Committee met two times during the year, as detailed on page 25 of this Annual Report.

Recommendation 4.3: The audit committee should have a formal charter.

The Committee operates under a formal charter and is reviewed annually to determine whether any changes are necessary. The Charter sets out the objectives of the Audit and Risk Management Committee, roles and responsibilities, composition, structure and membership requirements of the Committee, reporting, access and relationship with the external auditors.

The Committee is responsible for:

- Overseeing and appraising the quality of the audits conducted both by the Company's external and internal auditors;
- Maintaining, by regular meetings, open lines of communication among the Board, the external auditors and the internal auditors to exchange views and information;
- Serve as an independent and objective party to review the financial information presented by management to shareholders, regulators and the general public; and
- Reviewing the adequacy of the company's administrative, operating and accounting controls.

Principle 5 - Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the Company.

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of its securities. The Company discharges these obligations by releasing information to ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).

The Company Secretary is responsible to the Board, through the Chairman, on all governance matters and maintaining compliance systems which ensure the Board and Company adhere to ASX Listing Rules and the Corporations Act.

The purpose of the Company's Continuous Disclosure Policy is to:

- Summarise the Company's disclosure obligations;
- · Set out key obligations for Directors, Disclosure officers, Company Secretary and CEO;
- Explain the type of information that needs to be disclosed;
- Identify who is responsible for disclosure;
- · Explain the procedures for internal notification and external disclosure; and
- Procedures for monitoring compliance.

The Company's Continuous Disclosure Policy is available on the Company's website.

Principle 6 - Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company's shareholder communication policy is built around compliance with disclosure obligations. The framework for communicating with shareholders is to concisely and accurately communicate:

- · The Companies strategy;
- · How the Company implements that strategy; and
- The financial results consequent upon that strategy and its implementation.

The Board seeks to inform shareholders of all major developments affecting the Company by:

- Preparing half yearly and yearly financial reports;
- Preparing quarterly cash flow reports and reports as to activities;
- Making announcements in accordance with the listing rules and continuous disclosure obligations;
- · Hosting all of the above on the Company's website;
- Annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report together with notice of meeting and proxy form; and
- Voluntarily releasing other information which it believes is in the interest of shareholders.

The Company commits to dealing fairly, transparently and openly with both current and prospective shareholders using available channels and technologies to reach widely and communicate promptly.

The Company's Shareholder Communications Policy is available on the Company's website.

Principle 7 - Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

The Company has a holistic, enterprise-wide risk program for the oversight and management of material business risks.

The Company's management team monitors and oversees the continuous improvement of risk identification, assessment, treatment and reporting, including legislative compliance. The Company's Risk and Compliance processes support the Company's business units in the implementation of the Company's wide risk management framework.

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Company has established a number of policies that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to the following:

- Continuous Disclosure Policy;
- · Audit and Risk Management Committee Policy;
- Code of Conduct;
- · Securities Trading Policy
- · Shareholder Communications Policy;
- Ethical Business Conduct Policy;
- · Health and Safety Policy;
- Diversity Policy
- · Environmental Policy; and
- Corporate Governance Practices and Policies

The above Company Policies are available on the Company's website.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Company performs regular audits of the internal control systems and risk management compliance across the Group. The audits take account of both the nature and materiality of risk.

Management provide monthly reports to the Board which include the identification of material business risks and matters relating to the effectiveness of the Company's management of its material business risk.

Recommendation 7.3: The Board should disclose whether it has received assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The CEO and CFO have provided the Board with written assurances that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 - Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1: The Board should establish a remuneration committee.

The Board established a remuneration committee on 25 May 2011. The Committee is established to support and advise the Board by setting and implementing appropriate remuneration and benefits policies and systems to:

- · attract, retain and motivate executives, directors and employees for the long-term growth and success of the Company;
- enhance Company and individual performance for the benefit shareholders;
- · demonstrate to investors a clear relationship between performance and remuneration; and
- support the Company's goals and values.

Recommendation 8.2: The Remuneration Committee should be structured so that it:

- · consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members

The Remuneration Committee comprises:

Chairman
 Member
 Member
 Member
 Mr Jon Mathews - Non-executive and independent Director
 Mr Ken Dark - Non-executive and independent Acting Chairman
 Mr Oliver Yates - Non-executive and independent Director

Recommendation 8.3; Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

A description of the structure of Non-executive Directors' remuneration and Executive Directors' remuneration is contained in the remuneration report on page 26 of this Annual Report.

Diversity Policy

The Company and the Board are committed to workplace diversity, and value the level of diversity already present within the organisation. The Company believes that continuing to promote diversity is in the best interests of the Company, its employees and its shareholders. In February 2011 the Company approved a Diversity Policy which operates alongside the Code of Conduct and provides a framework for the Company to achieve its diversity objectives.

The Company intends to establish measurable objectives for achieving diversity and to assess annually both the objectives and progress in achieving them. The Diversity Policy is available on the Company's website.

Departure from Best Practice Recommendations

From 1 July 2010 to 30 June 2011, the Company complied with each of the Eight Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate governance Council, other than the recommendation specified in the table below:

RECOMMENDATION	NOTICE OF DEPARTURE	EXPLANATION FOR DEPARTURE
2.4	The Board has not established a nomination	The Board believes that the individuals on the Board can, and do, make quality and independent judgements in the
	committee	best interest of the Company on all relevant issues.

Subsequent to the year ended 30 June 2011, Mr Ken Dark was appointed Acting Chairman and accordingly, until Mr Dark ceases to act as Chairman the Company departs from Recommendation 4.2.

In line with best practice, the Company expects to appoint an external consultant to review corporate governance and Board performance during the next twelve months.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Linc Energy Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Simon Crane

Partner

Brisbane

27 September 2011

Linc Energy Ltd ABN 60 076 157 045 Annual Financial Report - 30 June 2011

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This financial report contains the consolidated financial statements for the consolidated entity consisting of Linc Energy Ltd and its subsidiaries (the Group). Information required by the *Corporations Amendment Regulations 2010* in respect of the parent entity is included in note 31 of this report.

The financial report is presented in Australian Dollars.

Linc Energy Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 32 Edward Street, Brisbane, Qld 4000.

A description of the nature of the entity's operations and its principal activities is included in the review of operations and activities on pages 9 to 14 and in the Directors' Report on pages 15 to 38, both of which are not part of this financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available at our Investors Centre on our website: www.lincenergy.com.au.

		Consol	
		2011	2010
	Notes	\$'000	\$'000
Revenue	2	3,199	2,025
Cost of sales	3	(2,619)	(1,864)
Gross Profit		580	161
Gain on sale of coal tenement, net of costs	8	495,001	_
Gain on purchase of oil and gas assets	27	6,027	_
Other income	2	971	286
Expenses:			
Business development		(1,824)	(1,276)
Administration and corporate		(55,726)	(22,476)
Site operating costs		(23,883)	(26,307)
Exploration and evaluation		(2,455)	(2,377)
Technology development		(8,153)	(7,425)
Results from operating activities		410,538	(59,414)
Finance income		22,181	890
Finance expenses	3	(413)	(5,404)
Net finance income / (expense)		21,768	(4,514)
Profit / (loss) before income tax		432,306	(63,928)
Income tax benefit / (expense)	4	(135,865)	47,670
Profit / (loss) for the year		296,441	(16,258)
Other comprehensive income		_	
Net change in the fair value of available-for-sale financial assets, net of transaction costs and tax		5,726	_
Foreign currency translation differences for foreign operations		554	(128)
Other comprehensive income / (loss) for the year, net of income tax		6,280	(128)
Total comprehensive income / (loss) for the year		302,721	(16,386)
Profit / (loss) attributable to:			
Equity holders of Linc Energy Ltd		296,455	(16,255)
Non-controlling interest		(14)	(3)
Profit / (loss) for the year		296,441	(16,258)
Total comprehensive income / (loss) attributable to			
Equity holders of Linc Energy Ltd		302,757	(16,375)
Non-controlling interest		(36)	(11)
Total comprehensive income / (loss) for the year		302,721	(16,386)
		Cents	Cents
Earnings per share attributable to the ordinary equity holders Linc Energy Ltd:			
Basic earnings / (loss) per share	25	59.27	(3.48)
Diluted earnings / (loss) per share	25	57.71	(3.48)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

		Consoli	olidated	
		2011	2010	
	Notes	\$'000	\$'000	
ASSETS				
Cash and cash equivalents	5	310,343	7,365	
Trade and other receivables	6	2,654	1,025	
Inventories	7	936	478	
Assets classified as held for sale	8	9,032	13,16	
Other assets	9	15,814	•	
Total current assets		338,779	22,035	
Receivables	6	5,856	2,466	
Intangibles	10	195,108	181,96	
Property, plant and equipment	11	12,775	9,39	
Oil and gas assets	12	25,288		
Available for sale investments	13	23,128		
Deferred tax assets	4	19	48,42	
Total non-current assets		262,174	242,25	
Total assets		600,953	264,28	
LIABILITIES				
Trade and other payables	14	14,927	21,023	
Borrowings	15	2,786	2,36	
Current tax liability		10,781		
Provisions	16	2,894	1,66	
Total current liabilities		31,388	25,05	
Borrowings	15	1,866	3,93	
Deferred tax liability	4	48,331		
Provisions	16	5,647	1,972	
Total non-current liabilities		55,844	5,909	
Total liabilities		87,232	30,96	
Net assets		513,721	233,32	
EQUITY				
Share capital	17	309,493	287,38	
Reserves	18	40,377	28,86	
Retained earnings / (accumulated losses)	20	163,794	(83,018	
Total equity attributable to equity holders of the company		513,664	233,232	
Non-controlling interest		57	93	
Total equity		513,721	233,32	

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Linc Energy Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2011

	Attributable to equity holders of the company								
in thousands \$'000	Share capital	Foreign currency translation	Convertible note reserve	Other reserves	Share based payments	Accumulated losses	Total	Non- controlling interest	Total equity
Balance as at 1 July 2009	198,628	14	5,274	(81)	17,477	(66,757)	154,555	183	154,738
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(16,255)	(16,255)	(3)	(16,258)
Other comprehensive income / (loss)									
Foreign currency translation differences for foreign operations	-	(120)	-	-	-	-	(120)	(8)	(128)
Convertible note reserve transferred to other reserves	-	-	(5,274)	5,274	-	-	-	-	-
Total other comprehensive income / (loss)	-	(120)	(5,274)	5,274	-	-	(120)	(8)	(128)
Total comprehensive income / (loss)for the period	-	(120)	(5,274)	5,274	-	(16,255)	(16,375)	(11)	(16,386)
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Contributions of equity, net of transaction costs	82,319	-	-	-	-	-	82,319	-	82,319
Share-based payment expense	-	-	-	-	8,073	-	8,073	-	8,073
Transfer from share-based payment reserve on exercise of options	3,664	-	-	-	(3,664)	-	-	-	-
Transaction costs associated with convertible equity facility	(3,009)	-	-	-	-	-	(3,009)	-	(3,009)
Shares issued on exercise of options	5,028	-	-	-	-	-	5,028	-	5,028
Shares issued as compensation for drilling services	4	-	-	-	-	-	4	-	4
Options granted to Springtree for provision of equity facility	-	-	-	-	1,769	-	1,769	-	1,769
Deferred tax recognised directly in equity	754	-	-	-	-	-	754	-	754
Total contributions by and distribution to owners	88,760	-	-	-	6,178	-	94,938	-	94,938
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interest	-	4	-	116	-	(6)	114	(79)	35
Total changes in ownership interests in subsidiaries	-	4	-	116	-	(6)	114	(79)	35
Total transactions with owners	88,760	4	-	116	6,178	(6)	95,052	(79)	94,973
Balance as at 30 June 2010	287,388	(102)	-	5,309	23,655	(83,018)	233,232	93	233,325

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Linc Energy Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2011

in thousands \$'000	Share capital	Attribu Foreign currency translation	table to equity Available for sale reserve	holders of th Other reserves	Share based	Retained earnings	Total	Non- controlling interest	Total equity
Balance as at 1 July 2010	287,388	(102)	reserve -	5,309	payments 23,655	(83,018)	233,232	93	233,325
Total comprehensive income for the period	- ,	(- /		.,	.,	(,)	, -		7
Profit / (loss) for the period	_	-	-	_	-	296,455	296,455	(14)	296,441
Other comprehensive income								` ,	
Foreign currency translation differences for foreign operations	-	576	-	-	_	-	576	(22)	554
Net change in fair value of available-for-sale financial assets, net of tax	-	-	5,726	-	-	-	5,726	-	5,726
Total other comprehensive income	-	576	5,726	-	-	-	6,302	(22)	6,280
Total comprehensive income for the period	-	576	5,726	-	-	296,455	302,757	(36)	302,721
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Contributions of equity, net of transaction costs	4,500	-	-	-	-	-	4,500	-	4,500
Share-based payment expense	-	-	-	-	15,232	-	15,232	-	15,232
Shares issued and transfer from share-based payment reserve on vesting of performance rights	2,574	-	-	-	(2,574)	-	-	-	-
Shares issued and transfer from share-based payment reserve on exercise of options	14,950	-	-	-	(7,445)	-	7,505	-	7,505
Shares issued as compensation for land access	81	-	-	-	-	-	81	-	81
Dividends to equity holders	-	-	-	-	-	(49,643)	(49,643)	-	(49,643)
Total contributions by and distribution to owners	22,105	-	-	-	5,213	(49,643)	(22,325)	-	(22,325)
Balance as at 30 June 2011	309,493	474	5,726	5,309	28,868	163,794	513,664	57	513,721

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Consolid		lated	
		2011	2010	
	Notes	\$'000	\$'000	
Cash flows from operating activities				
Receipts from customers and other debtors (inclusive of goods and services tax)		3,756	2,436	
Payments to suppliers and employees (inclusive of goods and services tax)		(34,137)	(14,797)	
Interest and borrowing costs paid		(413)	(2,894)	
Income taxes paid		(30,802)	(=,===,	
Net cash used in operating activities	5	(61,596)	(15,255)	
Cash flows from investing activities				
Payments for property, plant and equipment		(4,192)	(2,474	
Proceeds from disposal of property, plant and equipment		88	(_,	
Proceeds from sale of coal tenement		500,000		
Payments for software		(410)	(231	
Payments for exploration and evaluation (including tenement acquisitions)		(32,917)	(22,335	
Payments for development activities		(28,817)	(23,747	
Payments for equity investments		(16,894)	(,	
Payments for acquisition of oil and gas assets	27	(18,268)		
Deposits paid on acquisitions in progress	9	(14,158)		
Interest received		20,175	859	
Cash transferred to term deposits held as security guarantees		(3,150)	(620	
Net cash from / (used) in investing activities		401,457	(48,548)	
Cash flows from financing activities				
Proceeds from issue of shares		-	65,10	
Proceeds from the exercise of share options		7,555	4,93	
Share issue costs		-	(2,745	
Payment for redemption of convertible notes		-	(13,000	
Proceeds from drawdown of convertible loan facility		-	13,50	
Costs of convertible equity facility		-	(701	
Proceeds from the extinguishment of convertible loan facility		5,018	-	
Proceeds from borrowings		775	1,500	
Repayment of finance lease liabilities		(1,104)	(497	
Dividends paid		(49,643)	-	
Net cash (used in) / from financing activities		(37,399)	68,102	
Net increase / (decrease) in cash and cash equivalents		302,462	4,29	
Cash and cash equivalents at 1 July		7,365	3,07	
,				
Effect of exchange rate fluctuations on cash held		516	(5	

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Linc Energy Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 32 Edward Street, Brisbane, Qld 4000.

(a) Basis of preparation

Statement of Compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASB's") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial report of the Group complies with International Financial Reporting Standards ("IFRS's") adopted by the International Accounting Standards Board ("IASB").

The financial report was authorised for issue by the Directors on 27 September 2011. The Directors have the power to amend and reissue the financial report.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Available-for-sale financial assets which are recognised at fair value.
- Oil and gas properties which are recognised at fair value on acquisition.
- Financial assets which are recognised at fair value.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

Rounding of amounts

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Comparative information

Expense categories in the statement of comprehensive income and statement of cash flows and categorisation of certain items in the statement of financial position and statement of changes in equity have been reclassified to present these items in more relevant categories. Comparative information has been classified in line with the new presentation format.

Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 4 Income tax
- Note 8 Assets classified as held for sale
- Note 10 Intangibles, including carrying value of goodwill, coal-to-liquids development costs and exploration and evaluation costs
- Note 12 Oil and gas assets, including classification of assets and recoverability of assets
- Note 26 Contingent assets and liabilities

(a) Basis of preparation (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- · Note 4 Income tax, including amounts deductible in respect of research and development
- Note 12 Oil and gas assets, including reserve determination and provisions for restoration
- Note 16 Provisions
- Note 27 Business combinations, including determining fair values of identifiable assets acquired and liabilities assumed

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(aa).

(b) Basis of consolidation

Business combinations

All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

Bargain purchase gain

The Group recognises a bargain purchase gain in the statement of comprehensive income if the cost of an acquisition is less than the Group's share of the net fair value of the identifiable net assets acquired.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(b) Basis of consolidation (continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions with the exception of unrealised foreign exchange gains or losses on intercompany receivables and payables, are eliminated in preparing the consolidated financial statements.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Gas sales revenue

The Group has entered into a gas sales contract with its customer containing a take or pay arrangement. Revenue from the sale of gas is recognised when the gas is delivered to the customer. If the contracted minimum volume of gas is not taken, the customer must pay for the minimum contracted volume.

Oil sales revenue

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of physical delivery of the goods to the customer. Revenue from oil sales is recognised on the basis of the Group's net interest in a producing field.

Interest income

Interest income is recognised as it accrues using the effective interest method.

Rental income

Rental income from the lease of the Group's Coil Tubing Unit drilling rig is recognised in profit or loss on a straight line basis over the term of the lease.

(d) Income tax

The income tax benefit/expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(d) Income tax (continued)

Tax consolidation

The Company and its wholly owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are treated as a single entity. The head entity within the tax-consolidated group is Linc Energy Ltd.

(e) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. These assets are not depreciated but are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement generally within 30-90 day terms.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence amounts will not be able to be collected according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income.

(h) Inventories

Oil, raw materials and stores

Oil in tanks, raw materials and stores are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Available for sale assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale. The Group's investments in equity securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the available for sale reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

(j) Intangibles

Coal-to-liquids development costs

Costs incurred on coal-to-liquids development projects (relating to the design and testing of the Group's coal-to-liquids technology) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

(j) Intangibles (continued)

The specific components that comprise the coal-to-liquids development cost assets and their useful lives are as follows:

Intangible asset description	Useful life	Remaining useful life
Chinchilla site exploration drilling	5 years	3 years
Site engineering and infrastructure	5 years	3 years
GTL demonstration facility	5 years	3 years
UCG Gasifier 4	2 years	1 year
Waste water treatment R&D plant	5 years	3 years
UCG Gasifier 5 (Chinchilla)	Under construction	Under construction
UCG Gasifier 6 (Wyoming)	Under construction	Under construction

Exploration and evaluation

Exploration and evaluation expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, sale of the respective areas of interest or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and the Group continues to hold the rights to the tenement.

Accumulated costs in relation to an abandoned area are written off in full to the income statement in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are tested for impairment and transferred to development costs or to oil and gas properties depending on the nature of the resource and amortised over the life of the area of interest according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure (see note 1(q)).

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

(k) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the diminishing value method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	40 years
Motor vehicles	5 years
Office equipment and furniture	2 to 5 years
Plant and equipment	5 years

(k) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(v)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(I) Oil and gas assets - producing

Oil and gas assets include the initial cost of acquisition, together with the cost of construction, installation or completion of infrastructure facilities such as pipelines or processing plants, transferred exploration and evaluation costs, and the cost of development wells. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Oil and gas assets other than land are depreciated to their residual values on a unit of production basis over the economically recoverable proved and probable hydrocarbon reserves.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(v)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

(p) Finance expenses

Finance expenses comprise interest expense on borrowings and borrowing costs. All borrowing costs are recognised in profit and loss using the effective interest method.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(q) Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

If the effect is material, provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Site restoration and rehabilitation

In accordance with its environmental obligations the Group recognises a provision for the cost of decommissioning its demonstration UCG and CTL facilities, rehabilitating its exploration drill holes and decommissioning and rehabilitating its oil and gas wells, pipelines and processing infrastructure. A provision for decommissioning and/or restoration and the related expense is recognised when an area is disturbed as a result of the Group's activities. A provision for rehabilitation and the related expense is recognised when a drilling program is completed.

Increases in decommissioning and rehabilitation provisions in respect of oil and gas activities are capitalised to Oil & Gas Assets and amortised using the units of production basis over the economically recoverable reserves in the relevant area.

Onerous lease

A provision for onerous leases is recognised when the expected benefits to be derived by the Group from the leased property is lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract (including any related sub-lease income).

(r) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at the exchange rate at the date of the transaction (or an average annual rate where not materially different), and
- All resulting exchange differences are recognised as a separate component of equity.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST receivable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) Share capital

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

Dividends are recognised as a liability in the period in which they are declared.

(u) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities and financial assets at fair value through profit and loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price, while the current ask price is used for financial liabilities.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(v) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have previously suffered an impairment are reviewed for possible reversal at each reporting date.

(w) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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 after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Employee benefits

Share-based payments

Share-based compensation benefits are provided to employees via the Group's Performance Rights Plan and the previous Employee Option Plan. Information relating to these schemes is set out in note 29.

The fair value of rights granted under the Performance Rights Plan and options granted under the Employee Option Plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options (the "vesting period").

The fair value at grant date for performance rights is based on the closing price of Linc Energy Ltd stock on that day. The fair value at grant date for options is independently determined using a Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the impact of the dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(x) Employee benefits (continued)

The fair value of the options granted excludes the impact of any non-market vesting conditions, as these are included in assumptions about the number of options that are expected to become exercisable. At each balance date the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in other payables or provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Retirement benefit obligations

The Group contributes to defined contribution superannuation plans for all employees in accordance with relevant legislation. The Group makes fixed contributions at the current rate of nine percent of gross salary and the Group's obligations are limited to these contributions. Contributions are recognised as an expense as they become payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match the estimated future cash outflows.

(y) Non-employee share based payments

The Group has granted shares and share options to suppliers as compensation for the provision of services and finance facilities or for access to private property for exploration drilling. Information relating to these grants is set out in note 29. The fair value of options granted to suppliers is recognised as an expense or, where appropriate, is capitalised in accordance with the Group's capitalisation policy with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the services are rendered or when the supplier becomes unconditionally entitled to the options (the "vesting period").

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(z) Research and development expenditure

The Group classifies the entire coal-to-liquids demonstration facility (pilot plant) and ongoing technology development at the site as research and development expenditure. Costs incurred in constructing the Group's coal-to-liquids demonstration facility have been capitalised and included within Intangibles in the balance sheet (refer note 1(j)). Costs that do not meet the recognition criteria of an intangible asset have been recognised in the statement of comprehensive income.

(aa) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The entities of the Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income tax - research and development

The Group provides for the amount of tax payable on its estimated assessable income for the year. A significant component in determining the amount payable is the estimate of research and development expenditure deductible in respect of current and prior years. During the year ended 30 June 2011, the amount previously estimated as deductible but not recognised was revised downwards by \$10,000,000.

(aa) Critical accounting estimates and judgements (continued)

Oil and gas assets - reserve estimation

The amount of proved and probable reserves is reassessed at each reporting date for the purposes of assessing possible impairment of assets and calculating depletion of acquired oil and gas assets and capitalised exploration, evaluation and development costs. Reserves are determined by independent third party reserve certification consultants and conform to guidelines issued by the Society of Petroleum Engineers. Estimated reserve quantities incorporate assumptions about future development and production costs and expected oil commodity prices. These estimates can change from period to period due to changes in these assumptions and as additional geological data is generated through drilling operations.

Provision for site restoration

The Group has provided for site restoration costs to allow for any necessary decommissioning and rehabilitation work at its coal-to-liquids technology development sites in Chinchilla and Wyoming, in the event of cessation of all activities at these sites. This provision is based on the Directors' best estimate of the costs of this work, which is consistent with estimates submitted to and approved by the relevant regulatory authorities in each jurisdiction.

The Group has also provided for the costs associated with rehabilitating disturbance caused by its exploration drilling in prior years. This provision is based on quotes received from third parties to undertake the required work. The Group has also provided for the costs associated with rehabilitation and decommissioning in respect of its US oil production activities. Increases in the provision are capitalised to Oil & Gas Assets and amortised over the life of the field using the units of production method based on economically recoverable reserves.

Business combinations

Acquired assets and liabilities are initially recognised at fair value. The fair value of acquired oil and gas assets is determined by independent third party reserve certification consultants and incorporates assumptions including the quantity of proved oil reserves, future development costs and expected oil prices.

(bb) Segment reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker in accordance with AASB 8 Operating Segments.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(cc) New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except as set out below:

- AASB 9 Financial Instruments, Exposure Draft 2011/3 Amendments to IFRS 9 Financial Instruments (November 2009)
 and IFRS 9 Financial Instruments (October 2010), which become mandatory for the Group's 2015 consolidated
 financial statements and could change the classification and measurement of financial assets. The Group does not
 plan to adopt this standard early and the extent of the impact has not yet been determined.
- AASB 10 Consolidated Financial Statements; AASB 11 Joint Arrangements; AASB 12 Disclosure of Interests in Other Entities; AASB 127 Separate Financial Statements; AASB 128 Investments in Associates and Joint Ventures; and AASB 13 Fair Value Measurement. These standards will be effective for the Group's 30 June 2014 financial statements. Any amendments are generally to be applied retrospectively and the extent of the impact has not yet been determined.

	2011	2010
	\$'000	\$'00
2. Revenue and other income		
Revenue from continuing operations		
Syngas sales revenue - Uzbekistan	1,414	2,02
Oil sales revenue - USA	1,785	,
	3,199	2,02
Other income includes:	-	
Lease income	499	2
Sundry income	472	26
Sullary income	971	28
	9/1	201
3. Expenses		
Profit before income tax includes the following specific expenses:		
Cost of sales		
Production expenses	2,181	1,86
Royalties and production taxes	108	
Depletion of oil & gas assets	330	
Total cost of sales	2,619	1,86
Depreciation		
Buildings	12	1:
Motor vehicles	198	20
Office equipment and furniture	262	33
Plant and equipment	580	31
Total depreciation	1,052	86
Amortisation		
Coal-to-liquids technology development	10,844	18,76
Software	223	17
Total amortisation	11,067	18,94
Total depreciation and amortisation	12,119	19,80
Employee benefits expenses		
Salaries and wages	20,807	12,96
Contributions to defined contribution superannuation plans	1,615	1,11
Other employee costs	519	1,25
Increase in provision for employee entitlements	222	49
Share based payments	15,232	8,07
Total employee benefits expenses	38,395	23,90

	2011	2010
	\$'000	\$'000
3. Expenses (continued)		
Finance costs		
Interest and finance charges paid or payable	413	276
Interest expense on financial liabilities measured at amortised cost	-	240
Net change in fair value of collateral shares	-	1,814
Borrowing costs	-	3,074
Total finance costs	413	5,404
Net (gain) / loss on disposal of non-current assets	(23)	48
Research and development expenditure ¹	19,618	13,497
Net foreign exchange (gains)/losses ²	7,707	(199)
Rental expense relating to operating leases		
Office premises	1,084	832

¹ Research and development expenditure is disclosed here for information purposes - the amount includes expenditure also classified in other categories such as employee benefits expenses and site operating expenses.
² \$7,090,000 of the net foreign exchange losses in 2011 relate to unrealised exchange differences on intercompany receivables denominated in Australian Dollars.

	2011	2010
4. Income tax	\$'000	\$'000
(a) Income tax expense / (benefit)		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	41,583	
Deferred income tax		
Relating to origination and reversal of temporary differences	93,831	47,670
Adjustments in respect of deferred tax on previous years	451	
Income tax expense reported in the statement of comprehensive income	135,865	47,670
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged / (credited) directly to equity (note 18):		
Contributed equity	-	75
Available-for-sale investment reserve	(2,454)	
Available-for-sale investment reserve Income tax expense / (credit) reported in equity	(2,454)	754
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state	(2,454)	
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before income.	(2,454)	
(c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before incotax multiplied by the Group's applicable income tax rate is as follows:	(2,454)	754 sive income (63,928
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows: Accounting profit / (loss) before tax	(2,454) ement of comprehens	ive income
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows: Accounting profit / (loss) before tax At the parent entity's statutory income tax rate of 30% (2010: 30%)	(2,454) ement of comprehens ome 432,306	(63,928
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows: Accounting profit / (loss) before tax At the parent entity's statutory income tax rate of 30% (2010: 30%)	(2,454) ement of comprehens ome 432,306	(63,928
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows: Accounting profit / (loss) before tax At the parent entity's statutory income tax rate of 30% (2010: 30%) Amounts not deductible / (taxable) in calculating taxable income:	(2,454) ement of comprehens ome 432,306 129,692	(63,928 (19,179
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows: Accounting profit / (loss) before tax At the parent entity's statutory income tax rate of 30% (2010: 30%) Amounts not deductible / (taxable) in calculating taxable income: Share-based payments (equity settled)	(2,454) ment of comprehens ome 432,306 129,692 4,570	(63,928 (19,179
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows: Accounting profit / (loss) before tax At the parent entity's statutory income tax rate of 30% (2010: 30%) Amounts not deductible / (taxable) in calculating taxable income: Share-based payments (equity settled) Under/over provision from prior years	(2,454) ement of comprehens me 432,306 129,692 4,570 (586)	(63,928 (19,179
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows: Accounting profit / (loss) before tax At the parent entity's statutory income tax rate of 30% (2010: 30%) Amounts not deductible / (taxable) in calculating taxable income: Share-based payments (equity settled) Under/over provision from prior years Research and development	(2,454) ement of comprehens 232,306 129,692 4,570 (586) (1,471)	(63,928 (19,179 2,17 (1,640
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows: Accounting profit / (loss) before tax At the parent entity's statutory income tax rate of 30% (2010: 30%) Amounts not deductible / (taxable) in calculating taxable income: Share-based payments (equity settled) Under/over provision from prior years Research and development Foreign tax rate differential Other	(2,454) ement of comprehens 232,306 129,692 4,570 (586) (1,471) (506)	(63,928 (19,179 2,179 (1,640
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows: Accounting profit / (loss) before tax At the parent entity's statutory income tax rate of 30% (2010: 30%) Amounts not deductible / (taxable) in calculating taxable income: Share-based payments (equity settled) Under/over provision from prior years Research and development Foreign tax rate differential Other	(2,454) ement of comprehens 232,306 129,692 4,570 (586) (1,471) (506)	(63,928 (19,179
Income tax expense / (credit) reported in equity (c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the state and income tax expense / (benefit) calculated per the statutory income tax rate A reconciliation between tax expense / (benefit) and the product of accounting profit before incotax multiplied by the Group's applicable income tax rate is as follows: Accounting profit / (loss) before tax At the parent entity's statutory income tax rate of 30% (2010: 30%) Amounts not deductible / (taxable) in calculating taxable income: Share-based payments (equity settled) Under/over provision from prior years Research and development Foreign tax rate differential Other Tax losses (not previously) / not recognised	(2,454) ement of comprehens 432,306 129,692 4,570 (586) (1,471) (506) 376	(63,928 (19,179 2,179 (1,640

2,454

51,039

(2,708)

48,331

53,595

(53,595)

4. moomo tax (continuou)		
	2011	2010
	\$'000	\$'000
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax assets		
Temporary differences attributable to:		
Share issue expenses	723	1,415
Provisions	1,597	778
Property, plant and equipment	-	7,520
Borrowing costs	-	564
Other	407	623
Tax losses	-	91,120
Total deferred tax assets	2,727	102,020
Set-off of deferred tax liabilities pursuant to set-off provisions	(2,708)	(53,595)
Net deferred tax assets	19	48,425
(ii) Deferred tax liabilities		
Temporary differences attributable to:		
Intangible assets	8,305	15,568
Exploration costs	40,250	38,013
Accrued revenue	30	14

(d) Tax expense

Total deferred tax liabilities

Net deferred tax liabilities

Other

4. Income tax (continued)

The tax expense and tax payable at 30 June 2011 includes the tax payable on the upfront proceeds of the sale of the Galilee coal tenement. The tax expense does not include any amount in respect of the future royalty stream payable by Adani. See note 26 for more information on the contingent tax liability related to the Adani royalty.

(e) Tax losses

The net deferred tax asset recognised at 30 June 2010 of \$48,425,000 has reduced significantly reflecting the utilisation of 100 per cent of the Group's accumulated tax losses.

Unrecognised temporary differences

Set-off of deferred tax liabilities pursuant to set-off provisions

At 30 June 2011, there are no temporary differences that have not been recognised. In particular, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, associates or joint ventures, as there were no undistributed earnings of Group subsidiaries, associates or joint ventures (2010: \$Nil).

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	2011	2010
	\$'000	\$'000
5. Cash and cash equivalents		
Cash at bank and on hand	310,343	7,365
	310,343	7,365
Reconciliation of profit / (loss) after income tax to net cash outflow from operating activities		
Profit / (loss) for the year	296,441	(16,258)
Interest income	(20,226)	(890)
Interest expense	413	2,573
Net (gain) or loss on sale of available-for-sale assets	(495,001)	-
Net (gain) or loss on settlement of financial instrument	(1,954)	-
Net (gain) or loss on sale of non-current assets	(23)	48
Net (gain) or loss on purchase of oil and gas assets	(6,027)	-
Net (gain) or loss on foreign exchange	3,312	(199)
Depreciation, amortisation and depletion	12,449	19,623
Reallocation to coal-to-liquids development costs (investing activity)	22,076	18,604
Non cash employee benefits (share based payments)	15,232	8,073
Recognition of deferred tax on items directly in equity	(2,454)	-
Fair value loss on financial asset through profit and loss	90	-
Changes in operating assets		
Decrease / (increase) in receivables	(987)	(119)
Decrease / (increase) in prepayments	(640)	(321)
Decrease / (increase) in other assets	-	850
Decrease / (increase) in inventories	(458)	(237)
Increase / (decrease) in trade creditors	3,708	91
Increase / (decrease) in other payables	13,448	375
(Decrease) / increase in other provisions	2,269	957
(Increase) / decrease in deferred tax assets	99,293	(54,658)
(Decrease) / increase in deferred tax liabilities	(2,557)	6,233
Net cash outflow from operating activities	(61,596)	(15,255)
Non-cook investing and financing activities		
Non-cash investing and financing activities	464	45
Acquisition of assets by finance lease	161	45 5 5 4 2
Acquisition of tenements by share issue	4 500	5,542
Shares issued in repayment of convertible equity tranches	4,500	9,000
	4,661	14,587

	2011	2010
	\$'000	\$'000
6. Trade and other receivables		
Current		
Trade Receivables	119	57
Other Receivables (b)	1,399	262
Prepayments	729	696
Deposits (a)	407	10
	2,654	1,025
Non-current		
Deposits (c)	1,442	75
Term deposits (d)	3,944	2,391
Other receivable	470	-
	5,856	2,466

None of the trade and other receivables are impaired or past due but not impaired. Due to the short-term nature of current receivables, their carrying amount is assumed to approximate their fair value. The fair values of non-current receivables are consistent with their carrying amounts. The Group's exposure to risk is discussed in note 22.

- (a) Current deposits relate to normal trade deposits including rental bonds on residential property leases.
- (b) Current other receivables are amounts generally arising from Business Activity Statement refunds, accrued interest on deposits and amounts receivable from employees.
- (c) Non-current deposits relate to security held in relation to mining tenements. These deposits are returned on relinquishment of a tenement subject to satisfactory compliance with environmental and other regulatory requirements.
- (d) Term deposits are held by banking institutions as security against guarantees and credit card facilities of the Group. These funds are not available for general use as working capital.

7. Inventories

Raw materials and stores - at cost	936	478
	936	478

	2011 \$'000	2010 \$'000
8. Assets classified as held for sale		
Intangible assets Exploration and evaluation - at cost	9,032	13,167
	9,032	13,167

Efforts to sell a number of coal exploration tenements held by the Group commenced in late 2008, however have been significantly delayed due to the impact of the global financial crisis, current global economic conditions and the uncertainty created over the past twelve months by the introduction of the Federal Government's proposed carbon and mineral resource rent taxes.

On 3 August 2010 Linc Energy announced that it had entered into a contract with Adani Mining Pty Ltd ("Adani"), a subsidiary of Adani Enterprises of India, to sell the non-core Galilee coal tenement for \$500,000,000. The Company also entered into an agreement with Adani entitling it to receive A\$2.00 per tonne, indexed to inflation, for the first 20 years of production from the tenement.

The sale was completed on 10 August 2010 and \$500,000,000 was received. No amount has been recognised in the financial statements in respect of the contingent royalty asset (see note 26). The net gain on disposal of the tenement is calculated as follows:

	\$AUD '000
Proceeds from sale of tenement Less carrying value of Galilee tenement	500,000 (4,831)
Less costs of sale	(168)
Net gain on disposal of tenement	495,001

The Company continues to pursue the sale of the Teresa (Bowen Basin) and Pentland (Galilee Basin) tenements and active negotiations are ongoing with a number of domestic and overseas parties for the sale of these assets. Linc continues to progress development of these assets so as to continue to add value to them and improve their prospects for sale. Activities conducted in the current financial year include additional infill drilling and the commencement of an Environmental Impact Study for the Teresa mine development. The Directors' believe it is appropriate to continue to classify these assets as "held for sale".

At 30 June 2011, the carrying amount of the tenements held for sale were:

	2011 \$'000	\$'000
Bowen Basin	8,433	7,845
Galilee Basin	599	5,322
	9,032	13,167

	2011	2010
	\$'000	\$'000
9. Other Assets		
Deposits on Acquisitions (a)	14,158	-
Financial Assets (b)	1,656	-
	15,814	-

(a) On 6th June 2011, Linc Energy entered into an agreement to acquire oil fields in Texas and Louisiana, USA, from ERG Resources LLC ("ERG"), at a purchase price of US\$236,000,000. The acquisition includes 14 Oil fields consisting of 156 leases covering approximately 13,400 acres. A deposit was paid to ERG to the value of US\$10,000,000 (A\$9,438,414).

On 16th June 2011, Linc Energy entered into an agreement to acquire a controlling interest in the 'Umiat' Oil Field in Alaska, USA, via the purchase of an 84.5% interest in Renaissance Umiat LLC (which owns a 100% working interest and 80% net revenue interest in the Umiat Project) for US\$50,000,000 plus working capital adjustments. A deposit was paid to Renaissance Umiat LLC of US\$5,000,000 (A\$4,719,207).

Refer to note 33 for details of events occurring after the balance sheet date.

(b) On 11 March 2011, Linc Energy announced the purchase of a ten per cent interest in Powerhouse Energy Plc for US\$6,000,000. The purchase also included options to acquire additional shares in Powerhouse Energy in the future. These options are recognised as Financial Assets and are re-valued at each reporting date with gains and losses being recognised in the statement of comprehensive income.

10. Intangibles

10. Intangibles		
	2011	2010
	\$'000	\$'000
Internally Generated		
Coal-to-liquids technology development	34,746	36,111
Other		
Exploration and evaluation costs	158,339	144,245
Software	532	315
Goodwill	1,292	1,292
Technology licences	199	-
	195,108	181,963
Movements:		
Internally Generated		
Coal-to-liquids technology development - cost		
Balance at the start of the period	70,026	64,919
Additions	9,479	5,107
Balance at the end of the period	79,505	70,026

10.	ıntan	gibles	(contin	uea)

,	2011	2010
	\$'000	\$'000
Coal-to-liquids technology development - accumulated amortisation		
Balance at the start of the period	(33,915)	(15,153)
Amortisation for the year	(10,844)	(18,762)
Balance at the end of the period	(44,759)	(33,915)
Net book amount	34,746	36,111
Other		
Exploration and evaluation - cost		
Balance at the start of the period	144,245	103,583
Additions	19,981	44,055
Effect of movements in exchange rates	(5,887)	-
Reclassified as held for sale - refer note 8	-	(3,393)
Balance at the end of the period (a)	158,339	144,245
Software - cost (b)		
Balance at the start of the period	636	405
Additions	440	231
Balance at the end of the period	1,076	636
Software - accumulated amortisation (b)		
Balance at the start of the period	(321)	(142)
Amortisation for the year	(223)	(179)
Balance at the end of the period	(544)	(321)
Net book amount	532	315

⁽a) The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Costs are transferred to oil and gas assets or to other development assets once oil or coal reserves are certified and they are placed in development.

Goodwill

Balance at the start of the period	1,292	1,292
Balance at the end of the period	1,292	1,292
Technology licences - cost		
Balance at the start of the period	-	-
Additions	199	-
Balance at the end of the period	199	-

⁽b) Software has been reclassified from property, plant and equipment. Prior year comparatives have been restated.

10. Intangibles (continued)

	2011	2010
	\$'000	\$'000
Goodwill		
Total		
Balance at the start of the period	181,963	154,904
Additions	30,099	49,393
Reclassified as held for sale	-	(3,393)
Amortisation of coal-to-liquids development costs	(10,844)	(18,762)
Amortisation of software	(223)	(179)
Effects of movements in exchange rates	(5,887)	-
Balance at the end of the period	195,108	181,963

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to reportable business segment and region of operation:

	Asia	Total
2011		
Syngas	1,292	1,292
2010		
Syngas	1,292	1,292

There is no other goodwill in any other region.

Recoverable amount of Goodwill with an indefinite life

The recoverable amount of Goodwill is determined based on fair value less costs to sell. Fair value is determined as the amount for which the underlying asset (equity securities of JSPC Yerostigaz) could be exchanged between willing parties in an arm's length transaction.

In addition, UCG technology and know-how has become increasingly sought after by Governments and corporations around the world during recent years with trial UCG projects being undertaken or planned in South Africa, Australia, the USA, UK, Vietnam, China, India, Canada, Poland and Hungary. As UCG becomes more accepted as an economically and environmentally viable production process for energy and petroleum products, the value of companies and their personnel with UCG technology and experience is increasing.

The investment in Yerostigaz represents a controlling stake in the only commercially operating UCG business in the world. The controlling stake provides access to a pool of UCG technical specialists and to 50 years of accumulated knowledge and UCG intellectual property of Yerostigaz. It also restricts competitors of the Group from accessing the technology, providing the Group with both a valuable competitive advantage and a valuable product in itself in terms of the ability to generate revenue through consulting and other commercial avenues which further supports a fair value in excess of the carrying value of the goodwill.

The Directors' believe that the recoverable amount of Yerostigaz exceeds the carrying value of goodwill.

				0044	0040
				2011	2010
11. Property, plant and equipment				\$'000	\$'000
Land and buildings					
At cost				4,754	4,079
Accumulated depreciation				(55)	(42)
Net book amount				4,699	4,037
Motor vehicles					
At cost				1,932	1,450
Accumulated depreciation				(656)	(492)
Net book amount				1,276	958
Office equipment and furniture					
At cost				2,441	796
Accumulated depreciation				(632)	(372)
Net book amount				1,809	424
Plant and equipment					
At cost				7,023	5,516
Accumulated depreciation				(2,032)	(1,536)
Net book amount				4,991	3,980
Total property, plant and equipment				12,775	9,399
Movements					
	Land and	Motor	Office equipment	Plant and	
	buildings	vehicles	and furniture	equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2011					
Opening net book amount	4,037	958	424	3,980	9,399
Additions	702	557	1,605	1,751	4,615
Acquisitions	-	26	51	13	90
Disposals	- (40)	(93)	(5)	(500)	(98)
Depreciation charge	(12)	(198)	(262)	(580)	(1,052)
Exchange rate movements	(28)	26	(4)	(173)	(179)
Closing net book amount	4,699	1,276	1,809	4,991	12,775
Year ended 30 June 2010					
Opening net book amount	3,460	1,117	475	2,578	7,630
Additions	589	45	102	1,763	2,499
Disposals	-	-	-	(48)	(48)
Depreciation charge Closing net book amount	(12)	(204) 958	(153)	(313)	(682)

Refer to note 15 for information on non-current assets pledged as security by the Group. Assets held under finance leases have a net book value of \$2,713,000 (2010: \$3,022,000).

 -	 _	_	 						
							\$'000	\$'00	10
							2011	201	0

11. Property, plant and equipment (continued)

Leased assets

Plant and equipment and motor vehicles include the following amounts where the Group is a lessee under a finance lease:

2,748	2,748
(1,009)	(621)
1,739	2,127
1,397	1,338
(574)	(443)
823	895
24,426	-
1,192	
(330)	-
25,288	
-	-
9	-
24,426	-
2,616	-
(330)	-
(1,433)	-
25,288	-
	(1,009) 1,739 1,397 (574) 823 24,426 1,192 (330) 25,288 - 9 24,426 2,616 (330) (1,433)

The ultimate recoupment of costs carried forward for oil & gas assets is dependent on the successful development and commercial exploitation or sale of the respective areas. There are currently no oil & gas assets in development. All exploration and evaluation costs carried forward in respect of tenements prospective for oil & gas are disclosed separately in note 10. These costs are transferred to oil & gas assets only once proven or probable reserves have been certified.

	2011	2010
	\$'000	\$'000
13. Available-for-sale investments		
Listed securities		
Equity securities	23,128	-
	23,128	-

The carrying amount of listed securities is equal to their fair value. The fair value of listed securities has been calculated using prices quoted on the Australian Securities Exchange and AIM London Stock Exchange at balance date or the last trading date during the period. None of the available-for-sale financial assets are either past due or impaired. The Group's exposure to risk is discussed in note 22.

14. Trade and other payables

14. I rade and other payables		
Current		
Trade payables	13,278	2,706
Accrued employee related costs	312	180
Accrued taxes	-	332
Deferred settlement of purchase of Gastech tenements	-	17,516
Other payables	1,337	107
Revenue in advance		182
	14,927	21,023
15. Borrowings		
Current		
Secured		
Financial liability (net of fair value of collateral shares) - see note A below	-	1,440
Bank loan	1,800	-
Current portion of finance lease liabilities	986	923
Total current borrowings	2,786	2,363
Non-current Non-current		
Secured		
Bank loan	-	1,800
Finance lease liabilities	1,196	2,137
Total secured non-current borrowings	1,196	3,937
Unsecured		
Equipment funding loan	670	-
Total unsecured non-current borrowings	670	-
Total non-current borrowings	1,866	3,937
Total borrowings	4,652	6,300

The Group has pledged freehold property with a carrying value of \$2,150,000 (2010: \$2,150,000) and a cash set-off agreement with a value of \$2,194,364 (2010: \$2,099,478) against the loan facility. The fair values of current and non-current borrowings approximate their carrying amounts. Lease liabilities are finance leases for the purchase of plant, equipment and motor vehicles. The Group's exposure to interest rate risk is discussed in note 22.

15. Borrowings (continued)

Terms and conditions

Terms and conditions of outstanding liabilities were as follows:

	Currency	Interest rate at 30 June	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
In thousands of dollars				2011	2011	2010	2010
Convertible equity facility	AUD	1.00%	2010	-	-	4,500	1,440
Secured finance lease liabilities	AUD	8.97%	2011-2	2,265	2,050	3,478	3,021
Secured finance lease liabilities	USD	9.56%	2013-2014	151	132	39	39
Secured bank loan	AUD	6.40%	2012	1,800	1,800	1,800	1,800
Equipment funding loan	USD	12.00%	2016	811	670	-	-
Total interest bearing liabilities				5,027	4,652	9,817	6,300

A. Convertible equity facility (Springtree)

In March 2010, the Group entered into a Convertible Equity Agreement with Springtree Special Opportunities Fund, LP, a New York based investment fund which was subsequently terminated on 14 October 2010.

Under the facility, the Group was able to draw down a total of between \$54,000,000 and \$81,500,000 in up to twelve tranches of between \$4,500,000 and \$7,000,000 (with the first tranche fixed at \$4,500,000) every 33 calendar days. Each tranche was then required to be repaid 31 days after drawdown with a variable number of ordinary shares of Linc Energy Ltd based on VWAP, with the exception of one tranche that could be repaid in cash at Linc's option at 105% of the outstanding loan amount should the Company's share price fall below \$1.10 for two consecutive trading days during a tranche repayment period.

The \$4,500,000 liability outstanding at 30 June 2010 was repaid on 27 July 2010 via the issue of 4,428,262 shares at an issue price of \$1.0162.

Collateral

On 14 October 2010 Linc Energy announced the cancellation of the Convertible Loan Agreement with Springtree Special Opportunities Fund, LP. Following termination of the agreement it was agreed that Springtree would sell on market 2,500,000 of the 3,000,000 collateral shares held by it and remit those funds to Linc Energy. Springtree also returned the 10 cent per share dividend paid on those shares on 8 October 2010 whilst it was holding them as collateral. A total of \$5,018,000 was received from Springtree in settlement of all outstanding amounts. A net gain of \$1,954,000 was recognised as finance income.

No tranches were drawn during the reporting period and the final tranche was repaid as set out in the table below:

	2011	2010
	\$'000	\$'000
Convertible equity facility (Springtree)		
Opening balance	1,440	-
Proceeds from drawdown (a)	-	13,500
Tranches repaid (b)	(4,500)	(9,000)
Value of collateral shares repaid	3,060	-
Net financial liability outstanding at balance date	-	4,500
Less market value of collateral shares held by Springtree available for offset against final tranche	-	(3,060)
Carrying amount at 30 June recognised as a financial liability	-	1,440

- (a) Note: Each tranche drawdown incurs a 5% maintenance fee payable in cash offset against the tranche proceeds.
- (b) Tranches are repaid in Linc ordinary shares as described above.

15. Borrowings (continued)

Financing arrangements

The Group had access to the following undrawn finance facilities at the reporting date:

	Facility limit	Expiry date	Undrawn	amounts
			2011	2010
Secured	\$'000		\$'000	\$'000
Bank overdraft facility (floating rate) (a)	750	Terminated	-	750
Letter of credit / bank guarantee facility (b)	2,691	Annual review	-	-
Convertible equity facility (c)	63,000	Terminated	-	63,000
			-	63,750

The bank overdraft facilities could be drawn at any time or terminated by the bank without notice. The bank overdraft facility was terminated in August 2010 following the sale of the Galilee coal tenement.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

			Present			Present
	Future		Value of	Future		Value of
	minimum		minimum	minimum		minimum
	lease		lease	lease		lease
	payments	Interest	payments	payments	Interest	payments
	2011	2011	2011	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Less than one year	1,139	153	986	1,203	242	961
One to two years	1,277	81	1,196	1,109	140	969
Two to three years	-	-	-	1,205	75	1,130
Greater than three years	-	-	-	-	-	-
_	2,416	234	2,182	3,517	457	3,060

Bank Guarantees

The parent entity has provided bank guarantees in respect of mineral development licenses of \$2,165,285 (2010: \$1,371,000), the leasing of premises for \$350,219 (2010: \$350,000) and leasing of plant and equipment and motor vehicles for \$175,000 (2010: \$175,000).

The letter of credit / bank guarantee facility may be drawn at any time and is subject to annual review.

The convertible equity facility was terminated in August 2010 following the successful completion of the sale of the Galilee coal tenement. The loan facility consisted of 12 tranches of between \$4,500,000 up to \$7,000,000 with the exception of the first tranche which was set at \$4,500,000. Once a tranche was drawn down, the available facility was reduced by the maximum amount of each tranche. Therefore the undrawn balance at 30 June 2010 consisted of nine tranches of up to \$7,000,000 each.

16. Provisions

	2011	2010
	\$'000	\$'000
Current		
Exploration drilling rehabilitation - Australia	155	585
Oil and gas rehabilitation - USA	809	-
Employee entitlements	1,930	1,082
	2,894	1,667
Non-current		
Decommissioning and site restoration - Chinchilla demonstration facility	3,612	1,826
Oil and gas rehabilitation - USA	1,808	-
Employee entitlements	227	147
	5,647	1,973

Site rehabilitation - drilling activities

The current site rehabilitation provision relates to rehabilitation work at the Group's exploration drilling sites in the Galilee basin (at Pentland) during the year. This work was delayed due to poor weather during the year but is expected to be completed within the next 12 months. It also includes amounts for rehabilitation in the Cook Inlet basin in Alaska.

Decommissioning and site restoration

The non-current site restoration provision allows for the decommissioning and restoration of the Group's coal-to-liquids technology development facility at Chinchilla on cessation of all activity at that site.

Oil and gas rehabilitation

The provision relates to the cost of rehabilitating and decommissioning oil field assets and infrastructure such as wells, pipelines and processing facilities.

Employee entitlements

The current employee entitlements provision relates to accrued wages at 30 June 2011 and accrued annual leave and sick leave entitlements. The non-current provision relates to long service leave entitlements.

	2011	2010
	\$'000	\$'000
16. Provisions (continued)		
Movements:		
Onerous lease		
Carrying amount at the start of the period	-	162
Provisions recognised during the period	-	-
Provision utilised during the period	-	(150)
Provision no longer required		(12)
Carrying amount at the end of the period	-	-
Site rehabilitation - drilling activities		
Carrying amount at the start of the period	585	1,554
Provision utilised during the period	(572)	(969)
Provisions recognised during the period	142	-
Carrying amount at the end of the period	155	585
Decommissioning and site restoration - non current		
Carrying amount at the start of the period	1,826	1,266
Provisions recognised during the period	1,786	560
Provisions no longer required	-	-
Carrying amount at the end of the period	3,612	1,826
Oil and gas rehabilitation		
Carrying amount at the start of the period	-	-
Provisions recognised during the period	2,617	_
Carrying amount at the end of the period	2,617	-
Employee entitlements		
Carrying amount at the start of the period	1,229	731
Provisions recognised during the period	928	498
Carrying amount at the end of the period	2,157	1,229

17. Share capital

1710ilaio capitai				
	2011	2010	2011	2010
	Number	Number	\$'000	\$'000
Share capital				
Ordinary shares - fully paid	506,809,790	489,674,970	309,493	287,388
Movements:				
Ordinary shares				
Opening Balance	489,674,970	417,823,415	287,388	198,628
Placement of ordinary shares (a)	-	46,506,712	-	65,108
Transaction costs arising on placement of ordinary shares	-	-	-	(2,745)
Deferred tax credit recognised directly in equity	-	-	-	754
Shares issued on exercise of options (b)	10,679,337	11,113,097	14,950	8,692
Shares issued on vesting of performance rights (c)	1,997,221	-	2,574	-
Shares issued as compensation for drilling activities (a)	30,000	2,063	81	4
Shares issued as compensation for provision of convertible equity facility (d)	-	332,382	-	540
Shares issued as collateral for repayment of convertible equity (d)	-	3,000,000	-	4,874
Shares issued in repayment of convertible equity tranches (d)	4,428,262	7,048,604	4,500	9,000
Transaction costs associated with convertible equity facility recognised directly in equity (e)	-	-	_	(3,009)
Shares issued to acquire tenements for subsidiary	-	3,848,697	-	5,542
Closing Balance	506,809,790	489,674,970	309,493	287,388

- (a) Ordinary shares entitle the holder to participate in dividends and then proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The Parent Entity does not have authorised capital and ordinary shares have no par value.
- (b) Information relating to the Linc Energy Ltd Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 29.
- (c) Information relating to the Linc Energy Ltd Performance Rights Plan, including details of rights granted, vested and lapsed during the financial year and rights outstanding at the end of the financial year, is set out in note 29.
- (d) The Group entered into a convertible equity facility during the 2010 year. Under the facility, tranches are drawn down and repaid in shares 31 days later based on the average of the five lowest daily VWAP's during the tranche period. Three tranches were drawn down during 2010, with two tranches repaid resulting in the issue of 7,048,604 shares. The third tranche was repaid in July 2010 with a total of 4,428,262 shares issued. A commencement fee of \$540,000 was paid in shares at the commencement of the agreement in 2010. In addition to the commitment fee, 3,000,000 shares were issued in 2010 as collateral to the investor to be used to repay the final tranche. The facility was terminated in October 2010 with no tranche outstanding. Refer to note 15 for further details of the Facility termination.
- (e) Transaction costs represent the commencement fees paid, the fair value of commitment options granted to Springtree Special Opportunities Fund, LP on establishment of the Group's convertible equity facility in 2010 and the net impact of revaluations of the collateral shares held by the investor as security under the terms of the facility. The commencement fees totalling \$540,000 were paid in shares (refer (d) above). The commitment options were valued at \$1,758,324 using a Black-Scholes option pricing model - see note 29 for further details on the assumptions used to value these options. The options have an exercise price of \$1.95 calculated using the 20 business-day VWAP prior to the first drawdown under the Agreement.

17. Share capital (continued)

Capital risk management

The Group's objectives when managing its ordinary share capital are to ensure its ability to continue as a going concern and to maintain an optimal capital structure and cost of capital appropriate to the stage of development of the Group's business. The Group sold one of its non-core coal assets in August 2010 resulting in funds received of \$500,000,000. These funds will be used by the Group to continue its technology development and pursue other investment opportunities.

The Group is currently seeking to dispose of other non-core assets to provide for its future funding requirements. Refer to note 8 for the details of assets held for sale at the balance sheet date.

There are no externally imposed capital requirements on Linc Energy Ltd, however the Company's subsidiary located in Uzbekistan, JSPC Yerostigaz is intermittently subject to government mandated recapitalisation programs for foreign controlled companies. Linc Energy fully participates in these recapitalisations to ensure it maintains or increases its ownership interest in the company. There were no recapitalisations this reporting period (2010: \$521,602).

Shares issued on exercise of options

10,679,337 shares were issued during the year as a result of the exercise of options (2010: 11,113,097). The total cash received by the Group from the exercise of options was \$7,555,145 (2010: \$4,937,000). Since the end of the financial year, a further 510,232 shares have been issued as a result of the exercise of options. The total cash received was \$490,358.

Shares issued on vesting of performance rights

1,997,221 shares were issued during the year as a result of vested performance rights (2010: Nil). No consideration was received. Since the end of the financial year 1,677,881 shares have been issued as a result of the vesting of performance rights.

Shares issued as compensation for drilling activities

The Group negotiates access to landholders' property in accordance with government guidelines on the payment of compensation to land owners for disturbance. Land owners can choose to receive compensation as either \$1,000 cash or Linc Energy shares to the value of \$2,000. The number of shares issued is based on the market price on the date of completion of drilling.

Share buy-back

On 12 September 2011, Linc Energy Ltd announced its intention to conduct an on-market buy-back of up to five per cent of the Company's fully paid ordinary shares.

The Company has elected to undertake an on-market securities buy-back as a capital management strategy due to the opportunity presented by the current share price.

The earliest the buy-back could commence is 26 September 2011 based on regulatory requirements and the buy-back may occur any time during the following twelve months.

As at the date of signing this report 865,000 shares have been bought for a total consideration of \$1,477,420.

30 ა	June	201	۱1

	Consolid	olidated	
	2011	2010	
	\$'000	\$'000	
18. Reserves			
Share based payments reserve	28,868	23,65	
Other reserves	5,309	5,309	
Available for sale reserve	5,726		
Foreign currency translation reserve	474	(102	
	40,377	28,862	
Movements:			
Share based payments reserve			
Balance at start of the period	23,655	17,477	
Option and rights expense (options granted less forfeited)	15,232	8,073	
Options granted for establishment of convertible equity facility	-	1,769	
Options exercised	(7,445)	(3,664	
Rights vested	(2,574)		
Balance at the end of the period	28,868	23,65	
Convertible note reserve			
Balance at start of the period	-	5,274	
Transfer to other reserves	-	(5,274	
Balance at the end of the period	-		
Other reserves			
Balance at start of the period	5,309	(81	
Transfer from convertible note reserve on redemption of notes	-	5,274	
Transactions with other shareholders	-	116	
Balance at the end of the period	5,309	5,309	
Available- for-sale reserve			
Balance as start of the period	-		
Revaluations during the year	8,180		
Deferred tax recognised in equity	(2,454)		
Balance at the end of the period	5,726		
Foreign currency translation reserve			
Balance at start of the period	(102)	14	
Currency translation differences arising during the year	576	(120	
Acquired from non-controlling interest		4	
Balance at the end of the period	474	(102	

18. Reserves (continued)

Nature and purpose of reserves

Share based payments reserve

The share based payment reserve is used to recognise the fair value of options and performance rights issued to employees and suppliers but not exercised.

Other reserves

The other reserve represents amounts recognised directly in equity in respect of transactions with other shareholders in Group companies. In 2010, Linc Energy Ltd increased its interest in subsidiary JSPC Yerostigaz from 73% to 91.6% through the purchase of new shares with a total cost of \$521,601. The transactions with other shareholders amount in the other reserve balance represents the relative transfer of value to / from the non-controlling interest as a result of the transaction.

The other reserve account also contains the remaining balance transferred from the convertible note reserve following the termination of the convertible note facility and the redemption of all outstanding notes. This amount will remain in other reserves indefinitely.

Available- for- sale reserve

The available-for-sale reserve represents changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets. The amounts will only be recognised in profit and loss when the associated assets are sold or impaired.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(r). The reserve is recognised in profit and loss when the net investment is disposed of.

19. Dividends

The following dividends were declared and paid by the Company:

	Cents per	Total	Franked /	Date of
	Share	Amount	Unfranked	Payment
Special dividend	10.0	\$49,642,674	Franked	8 October 2010

The special dividend was fully franked at a rate of 30%. No dividends were paid by the Company in the prior year.

Retained Earnings / (accumulated losses)

Movements in retained earnings / (accumulated losses) were as follows:

	2011	2010
	\$'000	\$'000
Balance at start of the period	(83,018)	(66,757)
Transactions with non-controlling interests (acquisition of retained losses of a subsidiary)	-	(6)
Dividends paid	(49,643)	-
Net profit / (loss) for the period	296,455	(16,255)
Balance at the end of the period	163,794	(83,018)

21. Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

\$'000	\$'000
15,403	1,257
-	-
	-
15,403	1,257
	15,403 - -

Capital commitments relate to acquisitions of tenements or payments for exploration and evaluation or coal-to-liquids technology development. The Group has certain obligations to conduct exploration activities in its coal and petroleum tenements. These obligations do not result in contractual commitments but expenditure contracted at the reporting date to meet these commitments is included above.

Operating lease commitments as lessee

Lease commitments contracted but not recognised as liabilities are for non-cancellable operating leases of office premises and office equipment. All finance leases have been recognised in both Current and Non-Current Liabilities. Refer to note 15 for further details.

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities payable:

	2011	2010
	\$'000	\$'000
Within one year	1,918	1,026
Later than one year but not later than five years	4,504	2,685
Later than five years	-	115
	6,422	3,826

The Group leases a number of office premises under operating leases. Leases typically run for between two and six years with an option to renew for a similar term. The leases generally provide for additional rental payments that are based on CPI or market reviews with minimum escalation rates.

Tenement Commitments

Tenement commitments relate to the rental and expenditure components of the agreements.

2011	2010
\$'000	\$'000
4,492	3,744
10,189	14,678
296	472
14,977	18,894
	\$'000 4,492 10,189 296

Tenements were previously disclosed in the Operating lease commitments as lessee, but due to the increase in commitments, the individual tenements have now been separated.

21. Commitments (continued)

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:

\$'000	\$'000
2,379	2,450
2,971	4,629
-	-
5,350	7,079
	2,379 2,971 -

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel that are not recognised as liabilities and are not included in the key management personnel compensation as set out in the Remuneration report included on pages 26 to 35 of the Director's report.

22. Financial instruments

Overview

Overall responsibility for financial risk management rests with the Audit and Risk Management Committee of the Board of Directors. This committee has responsibility for ensuring the effectiveness of the organisation's financial risk management system, including the approval of associated policies. The Finance group is responsible for the development of policy and the implementation of practices and processes for the management of financial risk.

Credit risk

Credit risk arises mainly from cash and cash equivalents and deposits with banks and financial institutions. This risk is managed by depositing funds with credible and independently rated institutions with a minimum S&P credit rating of AA and maximum thresholds for the proportion of investable funds to be held with any one institution. Minimal exposures exist in relation to trade and other receivables, other financial assets and available-for-sale investments. None of the trade and other receivables or other financial assets are deemed to be impaired and no significant exposure to credit risk exists.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount		
		2011	2010
in thousands of dollars	Note	\$'000	\$'000
Cash and cash equivalents	5	310,343	7,365
Trade and other receivables	6	8,510	3,491
Other financial assets	9	15,814	-
Available-for-sale investments	13	23,128	-
	_	357,795	10,856

22. Financial Instruments (continued)

Exposure to credit risk (continued)

The maximum exposure to credit risk for cash and cash equivalents at the reporting date held by geographic region was:

	Carrying a	Carrying amount	
	2011	2010	
in thousands of dollars	\$'000	\$'000	
Australian	199,815	7,064	
USA	110,236	173	
Europe	271	-	
Asia	21	128	
Total cash and cash equivalents	310,343	7,365	

There are no known past due or impaired assets as at 30 June 2011 (2010: Nil).

Market risk

Foreign currency risk

Foreign currency risk is associated with international procurement and operational activities. This risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The establishment and settlement of foreign exchange transactions require senior and financial management approval to minimise exposures to currency fluctuations.

At 30 June 2011 the Group has two material contingent foreign exchange payables being the settlement for the acquisition of ERG Resources LLC and the final payment to purchase Renaissance Alaska LLC. FX risk on these transactions was mitigated by the transfer of cash into US dollars prior to completion. The net foreign exchange loss recognised in profit and loss in 2011 was \$7,707,000 (2010: gain of \$199,000) which arises primarily on intercompany debt owed by the Group's US subsidiaries to Linc Energy Ltd. A five per cent increase / (decrease) in the USD relative to the AUD would result in a gain / loss of \$11,093,000 respectively.

At 30 June 2011 the Group held a material amount of cash and cash equivalents. The distribution of this cash, by currency, is set out in the table below:

	Carrying amount	
	2011	2010
in thousands of dollars	\$'000	\$'000
Australian Dollar	199,743	7,064
US Dollar	110,310	173
Pounds Sterling	271	-
Uzbekistan Soms	19	128
Total cash and cash equivalents	310,343	7,365

Minimal exposures exist in relation to trade and other receivables, other financial assets and available-for-sale investments.

Equity price risk

The Group is exposed to equity securities price risk. This arises from the investments in listed companies held by the Group and classified on the balance sheet as available-for-sale assets. To manage its price risk arising from investments in equity securities, the Group only invests in equity securities approved by the Board of Directors and where the investment provides a strategic advantage to the Group.

At 30 June 2011 the Group held equity securities in a number of listed companies. Changes in the value of these securities are recognised in the available-for-sale reserve in equity. A 5% increase/(decrease) in the value of the investments would have the effect of increasing/(reducing) the available-for-sale reserve in equity by \$1,156,000.

22. Financial Instruments (continued)

Equity price risk (continued)

The Group also held a number of options for the acquisition of additional equity in Powerhouse Energy Plc ("PHE"). These options allow the Group to acquire up to US\$6,000,000 of new shares in PHE at a 20% discount to the VWAP price for two and a half years from the date PHE listed on the Alternative Investment Market on the London Stock Exchange. Linc also holds an additional 3,333,333 options to acquire PHE shares at US\$0.30 cents per share for up to one year from the date PHE listed on AIM.

Interest rate risk

Interest rate risk occurs with respect to cash and deposits and borrowings to the extent they are subject to movements in floating interest rates. Cash is usually placed on deposit at fixed interest rates for periods of between 30 and 180 days. At 30 June 2011 the cash held by the Group was held at floating interest rates due to recently matured deposits.

At 30 June 2011, a change of 100 basis points in interest rates would have increased/(decreased) financial assets and liabilities and profit and loss by the amounts shown below, assuming all other variables remain constant:

	Profit (or loss	
	100bp	100bp	
All amounts in thousands	Increase	Decrease	
2011			
Financial assets	3,103	(3,103)	
Financial liabilities	(18)	18	
Net cash flow sensitivity	(3,085)	3,085	
2010			
Financial assets	74	(74)	
Financial liabilities	(18)	18	
Net cash flow sensitivity	56	(56)	

Movement of 100 basis points would have no impact on equity on 30 June 2011.

22. Financial Instruments (continued)

Interest rate risk exposure

The following table sets out the Group's exposure to interest rate risk and the effective weighted average interest rates during the reporting period:

	Weighted average effective interest rate	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	percent	\$'000	\$'000	\$'000	\$'000
2011					
Financial Assets					
Cash and cash equivalents	3.32%	310,343	-	-	310,343
Trade and other receivables	2.53%	-	4,019	4,491	8,510
	3.41%	310,343	4,019	4,491	318,853
Financial Liabilities					
Trade and other payables	-	-	-	14,927	14,927
Lease liabilities	8.97%	-	2,182	-	2,182
Unsecured equipment funding loan	12.00%	-	670	-	670
Bank loan	6.40%	1,800	-	-	1,800
	1.98%	1,800	2,852	14,927	19,579
2010					
Financial Assets					
Cash and cash equivalents	4.79%	7,354	-	11	7,365
Trade and other receivables	5.50%	-	2,391	1,100	3,491
	4.96%	7,354	2,391	1,111	10,856
Financial Liabilities					
Trade and other payables	-	-	-	3,507	3,507
Deferred settlement - Gastech tenements	2.00%	-	17,516	-	17,516
Lease liabilities	8.99%	-	3,060	-	3,060
Bank loan	5.53%	1,800	-	-	1,800
Convertible equity facility	1.00%	-	1,440	-	1,440
	3.10%	1,800	22,016	3,507	27,323

Liquidity risk

Liquidity risk exists with respect to the ability of the organisation to meet supplier and other payment obligations on an ongoing basis. Routine treasury management including regular monitoring of cash and expenditure levels is undertaken to minimise funding issues.

22. Financial Instruments (continued)

Maturities of Financial Liabilities

The tables below analyse the contractual maturities of the Group's financial liabilities (including estimated interest payments) at the reporting date.

	Carrying amount	Contractual cash flows	< 1 year	1 to 2 years	2 to 3 years	> 3 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2011						
Trade and other payables	14,927	14,927	14,927	-	-	-
Lease liabilities	2,182	2,416	1,139	1,277	-	-
Unsecured equipment funding loan	670	811	122	162	162	365
Secured bank loan	1,800	1,810	1,810	-	-	-
	19,579	19,964	17,998	1,439	162	365
2010						
Trade and other payables	3,507	3,507	3,507	-	-	-
Deferred settlement for purchase of Gastech tenements (a)	17,516	17,516	17,516	-	-	-
Lease liabilities	3,060	3,517	1,203	1,109	1,205	-
Secured bank loan	1,800	1,921	112	1,809	-	-
Convertible equity facility (b)	1,440	-	-	-	-	-
	27,323	26,461	22,338	2,918	1,205	-

a) The Group acquired a number of additional Powder River Basin tenements from Gastech Inc during 2010. The total purchase price was US\$20,000,000 to be paid in four instalments of US\$5,000,000 each six months with the first instalment paid on completion of the transaction (which occurred on 4 March 2010) and the final instalment paid on 30 June 2011.

Fair Value Hierarchy

The fair value of financial assets and liabilities approximate their carrying values. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- · Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset of liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
In thousands of dollars	\$000's	\$000's	\$000's	\$000's
2011				
Available-for-sale investments	23,128	-	-	23,128
	23,128	-	-	23,128
2010				
Available-for-sale investments	_ _	-	-	-
	-	-	-	-

b) The convertible loan tranche was repaid in shares in July 2010.

23. Operating leases as lessor

The Group leases out its Coil Tubing Unit drilling rig to a third party drilling services company under a 'dry hire' operating lease arrangement. The future minimum lease payments under the lease are as follows:

	2011	2010
	\$'000	\$'000
Within one year	-	513
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	513

During the year ended 30 June 2011 \$498,775 was recognised as rental income in the statement of comprehensive income (2010: \$24,000). The lease agreement is currently operating on a month-to-month basis so no future minimum lease payments are recognised above for 2011.

24. Operating segments

Reportable segments

The Group's operations involve the development and commercialisation of Coal-to-Liquids (CTL) processes through the combined utilisation of Underground Coal Gasification (UCG) and Gas to Liquids (GTL) technologies. During the year, the Group also acquired conventional oil production assets in the United States and undertook an internal organisational restructure. This diversification and reorganisation has resulted in the identification of additional operating segments. Comparative data has been restated to reflect these changes in operating segments. Note these operating segments will change in 2012 to reflect the strategic business areas as discussed in the Managing Directors' Report and Review of Operations and Activities.

	Oil & C	Gas	Syng	as	Oti	ner	То	tal
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External Revenues	1,785	-	1,414	2,025	-	-	3,199	2,025
Depreciation, amortisation and depletion	(356)	-	(6)	(12)	(12,113)	(19,611)	(12,475)	(19,623)
Reportable segment profit/(loss) before income tax	3,878	-	(166)	(36)	428,593	(63,892)	432,305	(63,928)
Material items of income or expense								
Gain on disposal of Coal Tenement	-	-	-	-	495,001	-	495,001	_
Material non-cash items of income or expense								
Bargain Purchase gain on acquisition of oil & gas properties	6,027	-	-	-		-	6,027	-
Reportable segment non- current assets	25,678	-	1,058	477	235,438	241,776	262,174	242,253
Total reportable segment assets	27,757	-	1,804	2,715	574,100	261,573	600,953	264,288
Goodwill	-	-	1,292	1,292	-	-	1,292	1,292
Capital expenditure	26,034	-	761	-	32,444	51,892	59,239	51,892

24. Operating segments (continued)

Geographical Segments

The worldwide operations of the Group are managed from the Brisbane head office, but the group's operations are located in four principal locations: Australia; North America; Europe and Asia. In Australia, the Group operates in Queensland and South Australia. In Asia, the operations of the Group are at Yerostigaz in Angren, Uzbekistan. In North America the Group operates in Colorado, Wyoming, Montana and Alaska. In Europe the Group operates from a regional base in London, with subsidiaries established in Poland and Hungary.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	2011		2010	0
	Revenues	Non-Current Assets	Revenues	Non-Current Assets
	\$'000	\$'000	\$'000	\$'000
Australia	-	192,871	-	210,868
USA	1,785	67,980	-	30,908
Asia	1,414	1,058	2,025	477
Europe	-	265	-	-
	3,199	262,174	2,025	242,253

The Group currently has only one customer in each jurisdiction in which revenues are generated. In the USA, all oil produced from the Glenrock fields in Wyoming is currently delivered to and sold to a third party refiner. In Asia, all syngas produced at Yerostigaz is currently sold to the Angren power station which is a State-owned utility company.

25. Earnings per share

	2011	2010
	Cents	Cents
Basic earnings per share		
Profit (loss) attributable to the ordinary equity holders of the Company	59.27	(3.48)
Diluted earnings per share		
Profit (loss) attributable to the ordinary equity holders of the Company	57.71	(3.48)
	Number	Number
Weighted average number of ordinary shares		_
Issued shares at 1 July	489,674,970	417,823,415
Effect of shares issued during the period	10,529,277	48,696,509
Weighted average number of ordinary shares at 30 June	500,204,247	466,519,924
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 June	500,204,247	466,519,924
Effect of conversion of share options on issue	6,127,776	29,140,340
Effect of conversion of share rights on issue	7,385,508	0
Weighted average number of ordinary shares at 30 June	513,718,531	495,660,264

25. Earnings per snare (continued)	2011 \$'000	2010 \$'000
Profit / (loss) from continuing operations attributable to ordinary shareholders (basic)	296,455	(16,255)
Profit / (loss) from continuing operations attributable to ordinary shareholders (diluted)	296,455	(16,255)

Impact of transactions subsequent to year end.

Subsequent to the end of the financial year, the Company issued 510,232 shares resulting from the exercise of employee options and 1,678,058 shares from the vesting of performance rights. The Company also granted a further 1,772,821 rights under the Performance Rights Plan to new employees of the Group. These ordinary share transactions and potential ordinary share transactions would have changed the number of ordinary shares and potential ordinary shares outstanding at the end of the financial year if those transactions had occurred before the end of the reporting period.

26. Contingent assets and liabilities

Contingent assets

Adani Royalty

On 3 August 2010 Linc Energy announced that it had entered into a contract with Adani Mining Pty Ltd ("Adani"), a subsidiary of Adani Enterprises of India, to sell the non-core Galilee coal exploration tenement for \$500,000,000. As part of this transaction Linc are also entitled to receive A\$2.00 per tonne, indexed to inflation from the date of sale, for the first 20 years of production from the tenement.

As the receipt of income from the royalty is dependent on future production from a mine in the tenement, it currently does not meet the criteria for recognition as an asset in the financial statements. Given the inherent uncertainty in estimating the ultimate quantum and timing of production from a mine in the tenement, it is not practicable to quantify the present value of the contingent asset.

Contingent liabilities

In addition to the above there is also a contingent liability in respect of tax payable on the market value of the royalty as at the date of sale. Linc Energy does not believe that the contingent royalty income is taxable in the 2011 income tax year on the basis that, if received in future years, the royalty payments would represent ordinary income at that time. However, due to uncertainty over the treatment of this amount under Australian tax law, the Company has requested a private binding ruling from the Australian Taxation Office in respect of this transaction given its material value. This ruling has not yet been received.

The potential additional tax payable in 2012 in respect of the 2011 financial year would be based on the market value of the royalty as at 3 August 2010. The market value of the royalty takes into account the significant risks and challenges associated with the development of a greenfields mining and infrastructure project of the scale proposed by Adani in the Galilee Basin. The Company is working with external consultants to calculate the market value of the royalty. Due to the complex nature of the valuation and the significant uncertainties associated with its calculation, the Directors do not believe that it is practicable to provide an estimate of the value of the contingent liability at this time.

Should an amount of tax be paid or payable in 2012, the impact on the Group's financial statements would be to increase income tax expense and to increase the provision for current tax payable.

Acquisitions in progress at balance date

The Group has a contingent liability at the balance date to pay for the Umiat and ERG acquisitions. The Company expects these acquisitions to complete in the first quarter of the 2012 financial year. See note 33 for further details on these acquisitions.

26. Contingent assets and liabilities (continued)

Acquisition of Powder River Basin coal leases from Gastech Inc

On 24 December 2009 the Group announced that it had signed agreements to acquire an additional 81,268 acres of Powder River Basin (Wyoming) and Williston Basin (Montana) coal lease tenements from Gastech Inc and Wold Oil Properties Inc respectively. The total purchase price was US\$20,000,000. In addition to the upfront consideration, Gastech Inc retains a royalty interest in an amount equal to one quarter of the coal production royalties payable to the State of Wyoming under the Wyoming leases, but not greater than 2%. Wold Oil Properties Inc retains a royalty interest of 2% of the market value of the coal mined and sold from the Montana leases.

Acquisition of Alaskan oil and gas leases from GeoPetro Alaska LLC

On 2 March 2010 the Group announced that it had signed an agreement to acquire 123,000 acres of oil & gas leases in the Cook Inlet Basin in Alaska from GeoPetro Alaska LLC. Consideration for the sale was US\$1,000,000 payable on completion of the transaction (recognised at 30 June 2010), plus an additional US\$4,000,000 payable from the proceeds of successful production from the acquired leases. Following payment of the contingent \$4,000,000, GeoPetro will also be entitled to an overriding royalty of between 7%-10% of the value of commercial production from the leases.

Legal claims and other contingent assets or liabilities

As at balance date there are no legal claims pending against the Group and the directors are not aware of any other contingent assets or liabilities. As at 30 June 2010, the maximum amount quantifiable in relation to litigation and associated legal fees that had not already been provided or accrued for in the financial statements was \$Nil (2010: \$Nil).

27. Business combinations

On 15 March 2011, Linc Energy Petroleum (Wyoming), Inc, a wholly owned subsidiary of Linc Energy Ltd, acquired three producing oil fields along with certain employees and related assets from Rancher Energy Corp, securing immediate oil production. The total consideration for the acquisition was US\$18,203,000 (A\$18,268,000) while the fair value of the net identifiable assets acquired was US\$24,208,000 (A\$24,295,000). This resulted in a bargain purchase gain of US\$6,005,461 (A\$6,027,000). This gain resulted from the fair value of unproved oil & gas properties previously written off by the vendor who was in bankruptcy. The fair value of proved oil & gas properties was based on an independent third party reserve analysis prepared by Ryder Scott Company, while unproved reserves were valued per acre based on comparable transactions in Wyoming in 2011.

There are no other known contingent assets or liabilities and no further contingent consideration is payable to the vendor. Note that under the relevant accounting standard (AASB 3 *Business combinations*), the acquisition fair values are deemed to be provisional and may be adjusted for up to one year following the date of acquisition should there be any changes in the identified assets and liabilities or their fair values. This may occur, for example, in relation to confirmation with relevant authorities of title over certain petroleum leases and Linc's associated net revenue interest. The company does not expect any material changes to the amounts disclosed below.

Assets acquired	Carrying amount \$'000s	Fair value adjustments \$'000s	Fair value \$'000
Inventory	746	(328)	418
Property, plant and equipment	83	-	83
Oil and gas plant and equipment	13	-	13
Oil and gas assets	15,808	8,618	24,426
Liabilities (Rehabilitation provision, other payables)	(394)	(251)	(645)
Net identifiable assets	16,256	8,039	24,295
Purchase consideration paid in cash			(18,268)
Bargain purchase gain			(6,027)

Had the assets been acquired at the beginning of the year and held for the full year, the estimated impact on the Group's revenue from oil sales would have been an increase of \$3,700,000, with a resulting increase in operating profit of \$1,400,000. Linc incurred transaction costs of \$334,784 which have been recognised in profit and loss in accordance with AASB 3 *Business Combinations*.

28. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Entity	Balance Date	Country of incorporation	Class of shares	2011 %	2010 %
JSPC Yerostigaz	31 December ¹	Uzbekistan	Ordinary	91.6	91.6
Better Air LLC	31 December ¹	Uzbekistan	Ordinary	100	-
SAPEX Limited	30 June	Australia	Ordinary	100	100
Linc Carbon Solutions Pty Ltd	30 June	Australia	Ordinary	100	100
Teresa Coal Pty Ltd	30 June	Australia	Ordinary	100	-
Linc Energy Operations Pty Ltd	30 June	Australia	Ordinary	100	-
Linc Energy (USA),Inc	30 June	USA	Ordinary	100	100
Linc Energy (Wyoming),Inc	30 June	USA	Ordinary	100	100
Linc Energy (Montana), Inc	30 June	USA	Ordinary	100	100
Linc Energy (Alaska), Inc	30 June	USA	Ordinary	100	100
Linc Energy Operations Inc.	30 June	USA	Ordinary	100	100
Linc Energy Petroleum (Wyoming), Inc	30 June	USA	Ordinary	100	-
Linc Gulf Coast Petroleum, Inc	30 June	USA	Ordinary	100	-
Linc Energy Finance USA No 1, Inc	30 June	USA	Ordinary	100	-
Linc Energy (Europe) Ltd	30 June	United Kingdom	Ordinary	100	-
Linc Energy Operations Ltd	30 June	United Kingdom	Ordinary	100	-
Linc Energy (UK) Ltd	30 June	United Kingdom	Ordinary	100	-
Linc Energy (Poland) (sp.z.o.o.)	30 June	Poland	Ordinary	100	-
Linc Energy (Asia) Pte Ltd	30 June	Singapore	Ordinary	100	-
Linc Energy (Asia) 2 Pte Ltd	30 June	Singapore	Ordinary	100	

¹ Companies incorporated in Uzbekistan must have a balance date of 31 December.

29. Share-based payments

Employee option plan

The establishment of the Linc Energy Ltd Employee Option Plan was approved by Shareholders at the 2005 Annual General Meeting. This plan was replaced by the Performance Rights Plan with effect from the 2009 Annual General Meeting. However the option plan continues to operate until all outstanding options have vested. Options were granted at the discretion of the Board in accordance with the rules of the plan and all staff employed by the Company or its subsidiaries were eligible to participate in the plan.

As determined by the Board, a minimum continuous period of employment (usually twelve months) with the Company or any of its subsidiaries must be served prior to the first exercise date, which falls on 31st December annually. The option exercise price is set at the discretion of the Board, but is generally the ten day volume weighted average price (VWAP) of Linc Energy Ltd shares traded on the ASX following commencement of employment with the Group. Subject to ongoing employment by the Company or any of its subsidiaries, options are exercisable over three consecutive years from the initial exercise date, with one-third of the total options awarded exercisable each year.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2011 was \$2.80 per option (2010: \$1.38 to \$1.73). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2011 included:

- Options are granted for no consideration, have a two year life and vest immediately;
- Exercise price of \$0.25;
- Grant date 27 May 2011;
- Expiry date: 27 May 2013;
- Share price at grant date \$3.03;
- Expected price volatility of Linc Energy's shares: 59.5%;
- Expected dividend yield: 0%; and
- Risk-free interest rate: based on Australian Government 2 year bond rates ranging from 4.86%.

The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

Options granted

Set out below is a summary of options granted during the year:

Financial year of grant	Expiry date	Exercise price range	Balance at start of year	Granted	Exercised or transferred	Forfeited ¹	Balance at end of year	Exercisable at end of the year
		\$	Number	Number	Number	Number	Number	Number
30 Jun 2011	27 May 13	0.25	-	500,000	(500,000)	-	-	-
30 Jun 2010	31 Dec 15	0.66 to 1.95	8,348,365	-	(1,056,171)	(751,697)	6,540,497	3,873,836
30 Jun 2009	31 Dec 14	0.25 to 3.16	11,514,668	-	(1,948,336)	(1,298,333)	8,267,999	5,960,674
30 Jun 2008	31 Dec 13	0.60 to 0.97	6,601,666	-	(2,771,667)	(26,666)	3,803,333	3,150,001
30 Jun 2007	31 Dec 12	0.25 to 0.60	7,012,996	-	(4,403,163)	(2)	2,609,831	2,609,831
Total		- -	33,477,695	500,000	(10,679,337)	(2,076,698)	21,221,660	15,594,342
Weighted aver	rage exercise pri	ice \$	0.96	0.25	0.69	1.89	1.66	1.62

¹Forfeited includes options that have lapsed or cancelled due to termination.

29. Share-based payments (continued)

Options granted

Financial year of grant	Expiry date	Exercise price range	Balance at start of year	Granted	Exercised or transferred	Forfeited ¹	Balance at end of year	Exercisable at end of the year
		\$	Number	Number	Number	Number	Number	Number
30 Jun 2010	31 Dec 15	0.66 to 1.95	_	10,505,000	(249,969)	(1,906,666)	8,348,365	3,566,700
30 Jun 2009	31 Dec 14	0.25 to 3.16	15,554,456	-	(921,456)	(3,118,332)	11,514,668	6,481,676
30 Jun 2008	31 Dec 13	0.60 to 0.97	13,074,999	-	(3,816,668)	(2,656,665)	6,601,666	3,516,669
30 Jun 2007	31 Dec 12	0.25 to 0.60	13,238,000	-	(6,125,004)	(100,000)	7,012,996	5,716,335
Total		- -	41,867,455	10,505,000	(11,113,097)	(7,781,663)	33,477,695	19,281,380
Weighted aver	age exercise pr	ice \$	1.13	1.65	0.45	1.66	1.19	1.30

¹Forfeited includes options that have lapsed or cancelled due to termination.

In addition to options granted to employees under the Employee Option Plan, the following share based payment transactions occurred during the reporting period:

Shares issued as compensation for drilling activities

The Group negotiates access to landholders' property in accordance with government guidelines on the payment of compensation to land owners for disturbance. Linc Energy offers land owners a choice as to how they receive their compensation - either \$1,000 cash or Linc Energy shares to the value of \$2,000. The number of shares issued is based on the market price on the date of completion of drilling. 30,000 (2010: 2,063) shares with a fair value of \$81,000 (2010: \$4,000) were issued to landowners during the year.

Performance Rights Plan

The establishment of the Linc Energy Employee Performance Rights Plan was approved by Shareholders at the 2009 Annual General Meeting. Under the Plan, the Board may from time to time invite a full time employee or executive director of the Company or any wholly owned subsidiary or controlled entity of the Company whom the Board decides in its absolute discretion is eligible to be invited to receive a grant of Rights in the Plan, to participate in the Plan and grant the eligible employee a right to acquire fully paid ordinary shares in the Company on conversion of the right as part of the eligible employee's remuneration.

Rights vest in three equal tranches over three years, with the first tranche vesting twelve months following successful completion of an employee's six month probation period. The number of Rights granted to an employee is determined at the discretion of the Board and is generally based on a formula taking into account an employee's base salary and the Company's share price at the time of grant. Rights are granted to employees at no cost but may include non market- based performance conditions. Rights automatically convert to shares on the vesting dates provided all vesting conditions have been met.

Rights granted under the plan carry no dividend or voting rights until they convert to ordinary shares. 13,679,017 Performance Rights were granted during the period (2010: 6.102,551).

29. Share-based payments (continued)

Performance rights granted

Set out below is a summary of performance rights granted during the year:

Financial year of grant	Financial year of vesting date	Balance at start of year	Granted	Vested and converted	Forfeited ¹	Balance at end of year
		Number	Number	Number	Number	Number
30 Jun 2011	30 Jun 2011	-	992,075	(992,075)	-	
	30 Jun 2012	-	3,918,658	-	(119,766)	3,798,892
	30 Jun 2013	-	4,174,006	-	(106,759)	4,067,247
	30 Jun 2014	-	3,421,931	-	(106,759)	3,315,172
	30 Jun 2015	-	1,172,348	-	(1,993)	1,170,355
30 Jun 2010	30 Jun 2011	1,019,969	-	(1,004,969)	(15,000)	
	30 Jun 2012	1,934,606	-	-	(476,227)	1,458,379
	30 Jun 2013	1,934,599	-	-	(476,227)	1,458,372
	30 Jun 2014	1,164,627	-	-	(461,226)	703,401
Total		6,053,801	13,679,018	(1,997,044)	(1,763,957)	15,971,818
30 Jun 2010	30 Jun 2011	-	1,019,969	-	_	1,019,969
	30 Jun 2012	-	1,950,856	-	(16,250)	1,934,606
	30 Jun 2013	-	1,950,849	-	(16,250)	1,934,599
	30 Jun 2014	-	1,180,877	-	(16,250)	1,164,627
Total		_	6,102,551	-	(48,750)	6,053,801

¹Forfeited rights are due to terminations before vesting date.

Expenses arising from share-based payment transactions

Expenses arising from share-based payment transactions recognised during the period totalled \$15,232,470 (2010: \$8,073,437). Expenses relating to share based payments to employees (including directors and key management personnel) totalled \$15,232,470 (2010: \$7,993,600).

30. Related party transactions

	2011	2010
	\$	\$
Key management personnel compensation		
Short-term employee benefits	2,738,776	2,429,387
Post-employment benefits	217,861	191,125
Long-term benefits	13,102	14,714
Share-based payments	5,881,202	3,648,512
	8,850,941	6,283,738

There are no loans to key management personnel this financial year (2010: Nil).

30. Related party transactions (continued)

Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Linc Energy Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Balance at start of year	Granted	Exercised	Disposed ²	Forfeited	Balance at end of year	Vested and exercisable ⁴	Expiry date ¹
	Number	Number	Number	Number	Number	Number	Number	
2011								
B. Johnson	-	-	-	-	-	-	-	-
P. Bond	-	-	-	-	-	-	-	-
K. Dark	2,000,000	-	(1,000,000)	-	-	1,000,000	1,000,000	31 Dec 2011
J. Mathews	-	-	-	-	-	-	-	-
O. Yates	-	-	-	-	-	-	-	-
A. Rohner	2,000,000	-	-	(266,667)	-	1,733,333	400,000	31 Dec 2014
C. Ricato	1,500,000	-	-	(1,000,000)	-	500,000	500,000	31 Dec 2012
K. Terblanche	2,000,000	-	-	(300,000)	-	1,700,000	1,033,334	31 Dec 2013
D. Smith	600,000	-	-	-	-	600,000	400,000	31 Dec 2013
D. Schofield	1,800,000	-	-	(650,000)	-	1,150,000	1,150,000	31 Dec 2014
	9,900,000	-	(1,000,000)	(2,216,667)	-	6,683,333	4,483,334	
2010								
B. Johnson	4,416,000	-	(4,416,000)	-	-	-	-	31 Dec 2011
K. Dark	2,000,000	-	-	-	-	2,000,000	2,000,000	31 Dec 2011
J. Mathews	-	-	-	-	-	-	-	-
R. Stratford	2,000,000	-	-	-	(2,000,000)	-	-	31 Dec 2014
A. Rohner	-	2,000,000	-	-	-	2,000,000	-	31 Dec 2014
S. Dumble	4,833,333	-	(666,667)	(2,500,000)	(1,666,666)	-	-	31 Dec 2012
J. Peters	2,260,000	-	(200,000)	_	-	2,060,000	1,626,667	31 Dec 2013
C. Ricato	1,500,000	-	-	-	-	1,500,000	1,000,000	31 Dec 2012
K. Terblanche	2,000,000	-	-	-	-	2,000,000	666,667	31 Dec 2013
D. Smith	600,000	-	-	-	-	600,000	200,000	31 Dec 2013
D. Rattai	-	1,500,000	-	-	(1,500,000) ³	-	-	31 Dec 2014
	19,609,333	3,500,000	(5,282,667)	(2,500,000)	(5,166,666)	10,160,000	5,493,334	

¹ Options vest and are exercisable over three consecutive years from the initial exercise date, with one-third of the total options awarded vesting and exercisable at 31 December each year following completion of a minimum service period, usually twelve months. The expiry date disclosed is the expiry date of the third and final tranche of options. Where an employee has been employed for greater than three years, an additional award of options may be granted at the discretion of the Board in the employee's fourth or later year.

² In accordance with a resolution of the Board, directors and employees may dispose of their vested options to a third party. The third party remains subject to the employee option plan rules in respect of options held.

³ Options were cancelled and subsequently an equivalent number of performance rights issued with the same expiry dates. No amount will be paid per share on issue.

⁴ No options held by key management personnel are vested but not exercisable at 30 June 2010 or 2011.

30. Related party transactions (continued)

Rights over equity instruments

The movement during the reporting period in the number of rights to ordinary shares in Linc Energy Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Balance at start of year	Number of rights granted as compensation during year	Vested during the year ¹	Unvested balance at end of the year
	Number	Number	Number	Number
2011				
B. Johnson	-	-	-	-
P. Bond	-	-	-	-
K. Dark	-	-	-	-
J. Mathews	-	500,000	-	500,000
O. Yates	-	1,000,000	-	1,000,000
A. Rohner	-	-	-	-
C. Ricato	1,750,000	-	(500,000)	1,250,000
K. Terblanche	-	2,000,000	(666,667)	1,333,333
D. Smith	-	1,500,000	-	1,500,000
D. Schofield	-	-	-	-
	1,750,000	5,000,000	(1,166,667)	5,583,333
2010				
D. Rattai	-	1,500,000	-	1,500,000
C. Ricato	-	1,750,000	-	1,750,000
	-	3,250,000	=	3,250,000

30. Related party transactions (continued)

Movements in shares

The movement during the reporting period in the number of ordinary shares in Linc Energy Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
	Number	Number	Number	Number
Ordinary shares				
2011				
B. Johnson ¹	1,000,000	-	(1,000,000)	-
P. Bond ²	200,923,904	1,197,124	-	202,121,028
K. Dark	597,503	1,000,000	(580,503)	1,017,000
J. Mathews	-	-	-	-
O. Yates	-	278,551	-	278,551
A. Rohner	-	-	-	-
C. Ricato	-	500,000	-	500,000
K. Terblanche	-	666,667	(351,666)	315,001
D. Smith ³	28,143	-	(10,000)	18,143
D. Schofield	-	750,000	(750,000)	-
	202,549,550	4,92,342	(2,692,169)	204,249,723
2010				
B. Johnson ¹	1,000,000	4,416,000	(4,416,000)	1,000,000
P. Bond ²	200,923,904	-	-	200,923,904
K. Dark	822,503	-	(225,000)	597,503
S. Dumble	-	666,667	-	666,667
J. Peters	40,480	200,000	(210,000)	30,480
D. Smith ³	21,000	7,143	-	28,143
	202,807,887	5,289,810	(4,851,000)	203,246,697

¹ Mr Johnson's shares are held via Moonstar Investments Pty Ltd atf The Pemberley Trust.

 $^{^{\}rm 2}$ Mr Bond's shares are held via Newtron Pty Ltd or its nominees.

 $^{^{\}rm 3}$ Mr Smith's shares are held via a related party.

30. Related party transactions (continued)

Transactions with key management personnel and directors

Directors, Mr P. Bond and Mr C Ricato, hold positions in other entities that result in them having control or significant influence over the financial and operating policies of those entities. These entities have transacted with the Group in the reporting period. The terms and conditions of the transactions with these entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control of significant influence were as follows:

			Transactions ended 30		Balance outs at 30 v	
Key Management Person	Related party entity	Transaction	2011	2010	2011	2010
Peter Bond	Bond Bros Contracting Pty Ltd	Executive services	583,000	370,835	-	-
	Bond Bros Contracting Pty Ltd	Reimbursement of expenses (a)	-	384,781	(3,200)	(3,200)
	Bond Air Charters Pty Ltd	Chartered flights	259,140	-	2,584	-
	Rough Diamond Media	Documentary film	50,000	-	50,000	-
Craig Ricato	Executive Management Services Discretionary Trust	Executive services	297,713	-	-	-
Brian Johnson	Ferrous Metals Pty Ltd	Directors fees	4,167	45,833	-	-
	Ferrous Metals Pty Ltd	Expenses	763	509	-	-

⁽a) Bond Bros Contracting Pty Ltd invoiced Linc for reimbursement of expenses totalling \$Nil (2010: \$384,781) for Mr Bond's Newcastle office costs in accordance with the terms of his management services agreement.

Outstanding balances arising from transactions with related parties

From time to time, directors or other key management personnel of the Group may be required to reimburse the Group for personal expenses incurred. During the reporting period details were as follows:

- Mr P. Bond is required to reimburse the company for personal expenses incurred with a value of \$Nil (2010: \$10,826). An amount of \$44,273 remains unpaid at 30 June 2011 (2010: \$10,826).
- Bond Bros Contracting Pty Ltd is required to reimburse the company for expenses incurred with a value of \$Nil (2010: \$3,200). An amount of \$3,200 remains unpaid at 30 June 2011 (2010: \$3,200) but is deemed to be recoverable.

Additional information

Further information relating to key management personnel is set out in the Remuneration Report included on pages 26 to 35 of the Director's Report.

Other related party transactions

Other related party transactions are as noted below. All transactions with related parties were at arm's length.

		2011	2010
Transaction	Related Party	\$	\$
Purchase of services			
Consulting Services	Marine Exploration and Drilling	-	146,704

	Compa	any
	2011	2010
	\$'000	\$'000
31. Parent entity disclosures		

As at and throughout the financial year ended 30 June 2011 the parent entity of the Group was Linc Energy Ltd:

Result of the parent entity		
Profit/(loss) for the period	307,119	(14,569)
Other comprehensive income	5,726	-
Total comprehensive income / (loss) for the period	312,845	(14,569)
Financial position of the parent entity at year end		
Current assets	201,189	24,908
Total assets	604,691	250,521
Current liabilities	23,310	9,265
Total liabilities	79,110	15,460
Total equity of the parent entity comprising of:		
Share capital	309,493	287,388
Share based payments	28,868	23,655
Available-for-Sale Investment Reserve	5,726	-
Other reserves	5,274	5,274
Retained earnings	176,220	(81,256)
Total Equity	525,581	235,061

Parent entity contingencies

As at the balance sheet date there are no legal claims pending against the parent and the Directors are not aware of any other contingent liabilities other than as set out in note 26.

Parent entity capital commitments for the acquisition of intangible assets or property, plant and equipment As at the balance sheet date the parent entity had capital commitments totalling \$12,386,000 for the acquisition of tangible and intangible assets.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity does not guarantee the debts of its subsidiaries.

32. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group.

\$ Audit services KPMG Australia 293,000 147 KPMG USA 121,853 414,853 147 Other services KPMG Australia: Tax advisory services 49.900 8 IT project advisory services 54,797		Consolid	dated
Audit services KPMG Australia 293,000 147 KPMG USA 121,853 414,853 147 Other services KPMG Australia: Tax advisory services 49.900 8 IT project advisory services 54,797		2011	2010
KPMG Australia 293,000 147 KPMG USA 121,853 414,853 147 Other services KPMG Australia: Tax advisory services 49.900 8 IT project advisory services 54,797		\$	\$
KPMG USA 121,853 414,853 147 Other services KPMG Australia: Tax advisory services 49.900 8 IT project advisory services 54,797	Audit services		
Other services KPMG Australia: Tax advisory services 49.900 8 IT project advisory services 54,797	KPMG Australia	293,000	147,000
Other servicesKPMG Australia:Tax advisory services49.9008IT project advisory services54,797	KPMG USA	121,853	-
KPMG Australia:49.9008Tax advisory services54,797		414,853	147,000
Tax advisory services 49.900 8. IT project advisory services 54,797	Other services		
IT project advisory services 54,797	KPMG Australia:		
	Tax advisory services	49.900	8,970
104,697 8	IT project advisory services	54,797	-
•		104,697	8,970

33. Events occurring after the balance sheet date

Completion of Renaissance Umiat acquisition

On 8 July 2011, the Company announced that it had completed the acquisition of the Umiat oil field in Alaska for a total value of US\$56,416,461 (A\$52,578,249).

ERG acquisition

On 20 July 2011, the Company announced that it had terminated the contract with ERG Resources LLC ("ERG") to acquire oil assets in Texas and Louisiana due to certain alleged title defects and other issues identified during pre-completion due diligence. However, on 8 August 2011 the Company announced that it was conducting further negotiations and due diligence activities with the cooperation of ERG to pursue the acquisition. The completion deadline for the original transaction has been extended to allow ERG time to address the matters identified during the due diligence.

Investment in Firestone Energy Limited

On 2 September 2011 Linc Energy became a substantial shareholder in ASX and JSE listed Firestone Energy Limited (ASX/JSE: FSE) with a total interest of 9.57 per cent. The stake was acquired in two stages, with an initial purchase of 133,000,000 securities (representing 4.93 per cent) on-market between 20 May 2011 and 3 June 2011 at an average price of 2.16 cents per share. On 2 September Linc energy signed a subscription agreement to acquire a further 150,336,423 shares via a private placement at 1.2 cents per share. The total cost of acquisition was A\$4,676,844. Firestone Energy Limited is an Australian based exploration and development company with a significant coal asset located in South Africa. As part of the placement, Firestone granted to Linc Energy its UCG, oil and gas rights over the tenements it holds with local JV partner Sekoko Resources (Pty) Ltd.

On-market share buy-back

On 12 September 2011 the Company announced its intention to carry out an on-market share buy-back of up to five per cent of the Company's fully paid ordinary share capital. The earliest the buy-back can commence is 26 September and the buy-back may occur at any time in the following twelve month period. The Company reserves the right to suspend or terminate the buy-back at any time. As at the date of signing this report 865,000 shares have been bought for a total consideration of \$1,477,420.

There were no other matters subsequent to the end of the financial year that may impact the Group's future operations.

In the Directors' opinion:

- 1. (a) The consolidated financial statements and notes, set out on pages 47 to 103, and the Remuneration report in the Directors' report, set out on pages 26 to 35, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial 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; and
- 2. The Directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.
- 3. The directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

Peter Bond

Managing Director

Brisbane

27 September 2011



Independent auditor's report to the members of Linc Energy Ltd

Report on the financial report

We have audited the accompanying financial report of Linc Energy Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the remuneration report included in pages 26 to 35 of the directors' report for the year ended 30 June 2011. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Linc Energy Ltd for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Simon Crane

Partner

Brisbane

27 September 2011

The Shareholder information s	et out below was a	applicable as at 1	September 2011.

	Ordinary shares		
	Shares	Options	Rights
Equity security holders			
Total number of equity security holders	11,666	76	124
Distribution of equity security holders			
Analysis of numbers of equity security holders by size of holding:			
1 - 1,000	3,407	1	0
1,001 - 5,000	4,410	15	77
5,001 - 10,000	1,663	16	56
10,001 - 100,000	1,975	113	131
100,001 and over	211	32	27

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Ordinary shares

Name		Number held	Percentage of issued shares
1.	Newtron Pty Ltd (Peter A Bond Fam No 3 A/C)	151,173,904	29.72%
2.	UBS Wealth Management Australia Nominees Pty Ltd	45,890,391	9.02%
3.	HSBC Custody Nominees (Australia) Limited	43,471,873	8.55%
4.	National Nominees Limited	32,881,038	6.46%
5.	Citicorp Nominees Limited	25,951,968	5.10%
6.	J P Morgan Nominees Australia Limited (Cash income A/C)	20,078,968	3.95%
7.	J P Morgan Nominees Australia Limited	12,061,864	2.37%
8.	Marubeni Coal Pty Ltd	7,371,000	1.45%
9.	Perpetual Custodians Limited	6,944,184	1.36%
10.	Newtron Pty Ltd (Peter Adam Bond Family A/C)	5,750,000	1.13%
11.	Steven Fierro	4,847,005	0.95%
12.	Share Direct Nominees Pty Ltd (26885 Account)	3,500,000	0.69%
13.	Mr Mark Andrew Tomkins	2,286,500	0.45%
14.	HSBC Custody Nominees (Australia) Limited - GSCO ECA	2,231,459	0.44%
15.	AMP Life Limited	2,169,008	0.43%
16.	Bond Street Custodians Limited	1,822,000	0.36%
17.	Share Direct Nominees Pty Ltd (10026 A/C)	1,621,139	0.32%
18.	Khotam Tadji-Aglaev	1,301,207	0.26%
19.	UBS Nominees Pty Ltd	1,267,633	0.25%
20.	Merrill Lynch (Australia) Nominees Pty Limited	1,265,264	0.25%
		373,886,405	73.49%
		·	

Substantial equity security holders

The number of shares held by substantial shareholders and their associates are set out below:

Newtron Pty Ltd (including 11,000,000 held through Nominees)

202,121,028

40.04%

Holders of less than a marketable parcel of equity securities

The number of shareholders with less than a marketable parcel of equity securities

624

5.35%

Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares
 - On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options and Rights
 - No voting rights.

Queensland Mining Tenements

Tenement Name	Tenement #	Location	Percentage Interest
Rathdowney	EPC 910	40km S Ipswich - Clarence Moreton Basin	100%
Wowam	EPC 908	40km N Biloela - Biloela Basin	100%
Gallilee South	EPC 1227	60km W Clermont - Galilee Basin	100%
Pentland	EPC 526	220km SW Townsville - Galilee Basin	100%
Jambin	EPC 909	25km N Biloela - Biloela/Callide Basins	100%
Tipton Sth	EPC 938	60km SW Dalby - Surat Basin	100%
Teresa/Lucknow	EPC 1226	30km N Emerald - SW Bowen Basin	100%
Biloela	EPC1248	40km N Biloela - Biloela Basin	100%
Cloncurry Nth	EPC 1525	120km NW Hughenden - Eromanga Basin	100%
Cloncurry Sth	EPC 1526	85km NW Hughenden - Galilee/Eromanga Basins	100%
Saxby	EPC 1549	150km NW Hughenden - Eromanga Basin	100%
Wilkie	EPC 897	40km SE Chinchilla - Surat Basin	100%
Wilkie	EPC 898	30km SE Chinchilla - Surat Basin	100%
Wilkie	EPC 899	20km NW Dalby - Surat Basin	100%
Teresa	EPC 980	20km N Emerald - SW Bowen Basin	100%
Tipton	EPC 1770	30km SW Dalby - Surat Basin	100%
Chinchilla West	EPC 1046	20km S Chinchilla - Surat Basin	100%
Tipton 2	EPC 902	30km S Dalby - Surat Basin	100%
Teresa North	EPC 1267	20km N Emerald - SW Bowen Basin	100%
Wowam West	EPC 1323	20km NW Wowan - Biloela Basin	100%
Chinchilla	EPC1247	15km SW Chinchilla - Surat Basin	100%
Chinchilla	EPC 635	15km S Chinchilla - Surat Basin	100%
Dunmore	EPC 1537	50km SW Dalby - Surat Basin	100%
Lily Pond	EPC 1550	130km NE Cloncurry - Eromanga Basin	100%
Dingo	EPC 1536	15km NW Biloela - Biloela/Callide Basins	100%
Cloncurry Central	EPC 1527	100km NW Hughenden - Eromaga Basin	100%
Gallilee North	EPCa1228	75km NW Clermont - Galilee Basin	100%
Agnes	EPCa 1541	90km NE Hughenden - Eromanga/Galilee Basins	100%
Devlin	EPCa 2543	10 S Hughenden - Eromanga/Galilee Basins	100%
Pelican	EPCa 2549	120 N Hughenden - Eromanga/Galilee Basins	100%
Walker	EPCa 2551	7 S Hughenden - Eromanga/Galilee Basins	100%
Cuthbert	EPCa 2552	95 N Hughenden - Eromanga/Galilee Basins	100%
Chinchilla	MDL 309	15km S Chinchilla - Surat Basin	100%
Tipton	MDLa 371	30km SW Dalby - Surat Basin	100%
Pentland	MDLa 361	220km SW Townsville- Galilee Basin	100%
Chinchilla Extended	MDLa 407	15km S Chinchilla - Surat Basin	100%
Hopeland 1	MLa 50242	15km S Chinchilla - Surat Basin	100%
Theresa	MLa 70405	20km N Emerald - SW Bowen Basin	100%
Theresa North	MLa 70442	30km N Emerald - SW Bowen Basin	100%
Hopeland 2	PLa 284	20km S Chinchilla - Surat Basin	100%
Lucknow	PLa 286	30km N Emerald - SW Bowen Basin	100%

South Australian Mining Tenements

Tenement Name	Tenement #	Location	Percentage Interest
PEL117	PEL117	Arckaringa Basin	100%
PEL118	PEL118	Arckaringa Basin	100%
PEL119	PEL119	Arckaringa Basin	100%
PEL120	PEL120	Begins N Adelaide, extends N 257km ~50km W Port Augusta - St Vincent/Walloway Basins	100%
PEL121	PEL121	Arckaringa Basin	100%
PEL122	PEL122	Arckaringa Basin	100%
PEL123	PEL123	Arckaringa Basin	100%
PEL124	PEL124	Arckaringa Basin	100%
PELA 658	PELA 568	Cooper/ Eromanga Basin	100%
PELA 659	PELA 569	Cooper/ Eromanga Basin	100%
Arckaringa	EL 4502	130 NE Coober Pedy - Arckaringa Basin	100%
Williams Bore	EL 4501	90 NE Coober Pedy - Arckaringa Basin	100%
Walloway	EL 4148	90km SE Port Augusta - Walloway Basin	100%
Cadaree Hill	EL 4272	80km NE Coober Pedy - Arckaringa Basin	100%
Mt Andrews	EL 4273	70km SW Oodnadatta - Arckaringa Basin	100%
Orroroo	EL 4454	90km E Port Augusta - Walloway Basin	100%
Weira Plains	EL 4540	90km ENE Port Augusta - Walloway Basin	100%

Wyoming State Coal leases	Location	Percentage Interest
State Of Wyoming No 41100	Johnson	100.00%
State Of Wyoming No 41101	Johnson	100.00%
State Of Wyoming No 41102	Johnson	100.00%
State Of Wyoming No 41104	Johnson	100.00%
State Of Wyoming No 41103	Johnson	100.00%
State Of Wyoming No 41105	Johnson	100.00%
State Of Wyoming No 41106	Johnson	100.00%
State Of Wyoming No 41107	Johnson	100.00%
State Of Wyoming No 41108	Johnson	100.00%
State Of Wyoming No 41109	Johnson	100.00%
State Of Wyoming No 41110	Johnson	100.00%
State Of Wyoming No 41111	Johnson	100.00%
State Of Wyoming No 41112	Johnson	100.00%
State Of Wyoming No 41113	Johnson	100.00%
State Of Wyoming No 41114	Johnson	100.00%
State Of Wyoming No 41115	Johnson	100.00%
State Of Wyoming No 41116	Johnson	100.00%
State Of Wyoming No 41117	Johnson	100.00%
State Of Wyoming No 41118	Johnson	100.00%
State Of Wyoming No 41119	Johnson	100.00%
State Of Wyoming No 41120	Campbell	100.00%

Wyoming State Coal leases (continued)	Location	Percentage Interest
State Of Wyoming No 41121	Campbell	100.00%
State Of Wyoming No 41122	Campbell	100.00%
State Of Wyoming No 41123	Campbell	100.00%
State Of Wyoming No 41124	Campbell	100.00%
State Of Wyoming No 41127	Campbell	100.00%
State Of Wyoming No 41128	Campbell	100.00%
State Of Wyoming No 41129	Campbell	100.00%
State Of Wyoming No 41130	Campbell	100.00%
State Of Wyoming No 41131	Campbell	100.00%
State Of Wyoming No 41132	Campbell	100.00%
State Of Wyoming No 41133	Campbell	100.00%
State Of Wyoming No 41134	Campbell	100.00%
State Of Wyoming No 41135	Campbell	100.00%
State Of Wyoming No 41136	Campbell	100.00%
State Of Wyoming No 41139	Campbell	100.00%
State Of Wyoming No 41140	Campbell	100.00%
State Of Wyoming No 41141	Campbell	100.00%
State Of Wyoming No 41142	Campbell	100.00%
State Of Wyoming No 41143	Campbell	100.00%
State Of Wyoming No 41144	Campbell	100.00%
State Of Wyoming No 41145	Campbell	100.00%
State Of Wyoming No 41146	Campbell	100.00%
State Of Wyoming No 41146-A	Campbell	100.00%
State Of Wyoming No 41149	Campbell	100.00%
State Of Wyoming No 41151	Campbell	100.00%
State Of Wyoming No 41152	Campbell	100.00%
State Of Wyoming No 41153	Campbell	100.00%
State Of Wyoming No 41154	Campbell	100.00%
State Of Wyoming No 41155	Campbell	100.00%
State Of Wyoming No 41156	Campbell	100.00%
State Of Wyoming No 41157	Campbell	100.00%
State Of Wyoming No 41158	Campbell	100.00%
State Of Wyoming No 41159	Campbell	100.00%
State Of Wyoming No 41160	Campbell	100.00%
State Of Wyoming No 41161	Johnson	100.00%
State Of Wyoming No 41162	Campbell	100.00%
State Of Wyoming No 41163	Campbell	100.00%
State Of Wyoming No 41316	Campbell	100.00%
State Of Wyoming No 41317	Campbell	100.00%
State Of Wyoming No 41318	Campbell	100.00%
State Of Wyoming No 41319	Campbell	100.00%
State Of Wyoming No 41320	Sheridan	100.00%
State Of Wyoming No 41321	Sheridan	100.00%
State Of Wyoming No 41323	Sheridan	100.00%

Wyoming State Coal leases (continued)	Location	Percentage Interest
State Of Wyoming No 41324	Sheridan	100.00%
State Of Wyoming No 41325	Sheridan	100.00%
State Of Wyoming No 41326	Sheridan	100.00%
State Of Wyoming No 41322	Sheridan	100.00%
State Of Wyoming No 41327	Johnson	100.00%
State Of Wyoming No 41328	Johnson	100.00%
State Of Wyoming No 41329	Johnson	100.00%
State Of Wyoming No 41330	Johnson	100.00%
State Of Wyoming No 41331	Johnson	100.00%
State Of Wyoming No 41332	Johnson	100.00%
State Of Wyoming No 41333	Johnson	100.00%
State Of Wyoming No 41334	Johnson	100.00%
ROW WYM-170255	Campbell	100.00%
State Of Wyoming No 41335	Johnson	100.00%
State Of Wyoming No 41336	Sheridan	100.00%
State Of Wyoming No 41337	Sheridan	100.00%
State Of Wyoming No 41338	Johnson	100.00%
State Of Wyoming No 41339	Johnson	100.00%
State Of Wyoming No 41340	Johnson	100.00%
State Of Wyoming No 41341	Johnson	100.00%
State Of Wyoming No 41342	Sheridan	100.00%
State Of Wyoming No 42156	Campbell	100.00%
State Of Wyoming No 42157	Campbell	100.00%
State Of Wyoming No 42158	Campbell	100.00%
State Of Wyoming No 42159	Campbell	100.00%
State Of Wyoming No 42160	Campbell	100.00%
State Of Wyoming No 42161	Campbell	100.00%
State Of Wyoming No 42166	Johnson	100.00%
State Of Wyoming No 42162	Campbell	100.00%
State Of Wyoming No 42163	Campbell	100.00%
State Of Wyoming No 42167	Sheridan	100.00%
State Of Wyoming No 42168	Sheridan	100.00%
State Of Wyoming No 42169	Sheridan	100.00%
State Of Wyoming No 42170	Johnson	100.00%
State Of Wyoming No 42171	Johnson	100.00%
State Of Wyoming No 42310	Johnson	100.00%
State Of Wyoming No 42311	Sheridan	100.00%
State Of Wyoming No 42312	Sheridan	100.00%
State Of Wyoming No 42313	Sheridan	100.00%
State Of Wyoming No 42314	Sheridan	100.00%
State Of Wyoming No 42315	Sheridan	100.00%
State Of Wyoming No 42316	Sheridan	100.00%
State Of Wyoming No 42317	Sheridan	100.00%
State Of Wyoming No 42318	Sheridan	100.00%

Wyoming State Coal leases (continued)	Location	Percentage Interest
State Of Wyoming No 42319	Sheridan	100.00%
State Of Wyoming No 42320	Sheridan	100.00%
State Of Wyoming No 42321	Sheridan	100.00%
State Of Wyoming No 42322	Sheridan	100.00%
State Of Wyoming No 42323	Sheridan	100.00%
State Of Wyoming No 42324	Sheridan	100.00%
State Of Wyoming No 42325	Sheridan	100.00%
State Of Wyoming No 42378	Johnson	100.00%
State Of Wyoming No 42379	Johnson	100.00%
State Of Wyoming No 42380	Johnson	100.00%
State Of Wyoming No 42381	Johnson	100.00%
State Of Wyoming No 42382	Johnson	100.00%
State Of Wyoming No 42309	Sheridan	100.00%
State Of Wyoming No 42308	Sheridan	100.00%
State Of Wyoming No 42307	Sheridan	100.00%
State Of Wyoming No 42306	Sheridan	100.00%
State Of Wyoming No 42305	Sheridan	100.00%
State Of Wyoming No 42304	Sheridan	100.00%
State Of Wyoming No 42303	Sheridan	100.00%
State Of Wyoming No 42302	Sheridan	100.00%
State Of Wyoming No 42301	Sheridan	100.00%
State Of Wyoming No 42300	Johnson	100.00%
State Of Wyoming No 42299	Johnson	100.00%
State Of Wyoming No 42298	Campbell	100.00%
State Of Wyoming No 42297	Sheridan	100.00%
State Of Wyoming No 42296	Campbell	100.00%
State Of Wyoming No 42295	Campbell	100.00%
State Of Wyoming No 42294	Campbell	100.00%
State Of Wyoming No 42293	Campbell	100.00%
State Of Wyoming No 42292	Campbell	100.00%
State Of Wyoming No 42177	Johnson	100.00%
State Of Wyoming No 42176	Johnson	100.00%
State Of Wyoming No 42175	Johnson	100.00%
State Of Wyoming No 42174	Johnson	100.00%
State Of Wyoming No 42173	Johnson	100.00%
State Of Wyoming No 42172	Johnson	100.00%
State Of Wyoming No 42528	Johnson	100.00%
State Of Wyoming No 42388	Johnson	100.00%
State Of Wyoming No 42384	Sheridan	100.00%
State Of Wyoming No 42383	Sheridan	100.00%
State Of Wyoming No 42385	Sheridan	100.00%
State Of Wyoming No 42386	Johnson	100.00%
State Of Wyoming No 42387	Johnson	100.00%
State Of Wyoming No 42719	Converse	100.00%
•		

Wyoming State Coal leases (continued)	Location	Percentage Interest
State Of Wyoming No 42720	Converse	100.00%
State Of Wyoming No 42721	Converse	100.00%
State Of Wyoming No 42722	Converse	100.00%
State Of Wyoming No 42723	Converse	100.00%
State Of Wyoming No 42724	Converse	100.00%
State Of Wyoming No 42725	Converse	100.00%
State Of Wyoming No 42726	Converse	100.00%
State Of Wyoming No 42727	Converse	100.00%
State Of Wyoming No 42728	Converse	100.00%
State Of Wyoming No 42729	Converse	100.00%
State Of Wyoming No 42730	Converse	100.00%
State Of Wyoming No 42731	Converse	100.00%
State Of Wyoming No 42732	Converse	100.00%
State Of Wyoming No 42733	Converse	100.00%
State Of Wyoming No 42734	Converse	100.00%
State Of Wyoming No 42735	Converse	100.00%
State Of Wyoming No 42736	Converse	100.00%
State Of Wyoming No 42737	Converse	100.00%
State Of Wyoming No 42784	Converse	100.00%
State Of Wyoming No 42785	Converse	100.00%
State Of Wyoming No 42786	Converse	100.00%
State Of Wyoming No 42787	Converse	100.00%
State Of Wyoming No 42788	Converse	100.00%
State Of Wyoming No 42789	Converse	100.00%
State Of Wyoming No 42790	Converse	100.00%
State Of Wyoming No 42791	Converse	100.00%
State Of Wyoming No 41097	Sheridan	100.00%
Matt Cotton	Campbell	100.00%
State Of Wyoming No 42799	Carbon	100.00%
State Of Wyoming No 42798	Carbon	100.00%
State Of Wyoming No 42797	Carbon	100.00%
State Of Wyoming No 42802	Carbon	100.00%
State Of Wyoming No 42801	Carbon	100.00%
State Of Wyoming No 42800	Carbon	100.00%
Montana And North Dakota Coal Leases	Location	Percentage Interest
Frank C And Clara Michels	Wibaux	100.00%
Joann K Jablonski	Wibaux	100.00%
Annabelle Emily Edsall	Wibaux	100.00%
The Salvation Army	Wibaux	100.00%
Carol A Burch Et Vir	Wibaux	100.00%
Herbert & Alice M Michels	Wibaux	100.00%
James P & Ruthann Zielsdorf	Wibaux	100.00%
		,

Montana And North Dakota Coal Leases (continued)	Location	30 Percentage Interest
Paul Michels	Wibaux	100.00%
Dorothy Michels Stolberg	Wibaux	100.00%
Ryan Thompson	Wibaux	100.00%
Eleanor Michels, A Widow	Wibaux	100.00%
Robert Michels	Wibaux	100.00%
Robert George Hildebrant	Wibaux	100.00%
Charles Miske Et Ux	Wibaux	100.00%
Richard Miske Et Ux	Wibaux	100.00%
John Casselman Jr	Wibaux	100.00%
Kathleen And Gerald Gunder	Wibaux	100.00%
Joann K Jablonski, A Widow	Wibaux	100.00%
Emrys Lloyd Eckre	Wibaux	100.00%
Donald E Wojahn	Wibaux	100.00%
Laverne Krein Et Vir	Wibaux	100.00%
Marilyn Morman Et Vir	Wibaux	100.00%
Patricia M Hardy, Trtee	Wibaux	100.00%
Donald And Jean Hardy	Wibaux	100.00%
John E Thompson Et Ux	Wibaux	100.00%
Michels Mineral Trust	Wibaux	100.00%
Hardy Family LP	Wibaux	100.00%
Stateline	Wibaux	100.00%
The Salvation Army	Wibaux	100.00%
Helm Land Llp	Wibaux	100.00%
Marion E Thompson, A Widow	Wibaux	100.00%
Marion E Thompson, A Widow	Wibaux	100.00%
Earl Smith Et Ux	Wibaux	100.00%
Charles M Hardy Trust	Wibaux	100.00%
James P & Ruthann Zielsdorf	Golden Valley	100.00%
Dennis P. And Janice Hardy	Golden Valley	100.00%
Frank C & Clara Michels	Golden Valley	100.00%
Dorothy Michels Stolberg	Golden Valley	100.00%
Eleanor Michels, A Widow	Golden Valley	100.00%
Annabelle Emily Edsall Aka	Golden Valley	100.00%
Herbert & Alice M Michels	Golden Valley	100.00%
Maze Family Trust	Golden Valley	100.00%
Matejecek Family Trust	Golden Valley	100.00%
Leona M Hardy Trustee	Golden Valley	100.00%
Albert J Hardy	Golden Valley	100.00%
Paul E Hardy Family Min Tr	Golden Valley	100.00%
Thomas K Woeffler Et Ux	Golden Valley	100.00%
Michele T Huseby	Golden Valley	100.00%
Henry T Maze	Golden Valley	100.00%
Howard W Hardy Trust	Golden Valley	100.00%
Sharon M Zinsli, A Widow	Golden Valley	100.00%

79.50%

		Mining Ten
Montana And North Dakota Coal Leases		30 Ju Percentage
(continued)	Location	Interest
George D Hildebrant Et Ux	Golden Valley	100.00%
Mary E Muggli, Trustee	Golden Valley	100.00%
Alcele Detroloure Loope	Location	Percentage
Alaska Petroleum Leases State Of Alaska Adl 390588	Location	Interest 100.00%
State Of Alaska Adl 390500 State Of Alaska Adl 390591	Anchorage Borough	100.00%
State Of Alaska Adl 390591	Anchorage Borough	100.00%
State Of Alaska Adl 390590 State Of Alaska Adl 390592	Anchorage Borough	100.00%
	Anchorage Borough	100.00%
State Of Alaska Adl 300575	Anchorage Borough	
State Of Alaska Adl 390576	Anchorage Borough	100.00% 100.00%
State Of Alaska Adl 390594	Anchorage Borough	
State Of Alaska Adl 390593	Anchorage Borough	100.00%
State Of Alaska Adl 390582	Anchorage Borough	100.00%
State Of Alaska Adl 390581	Anchorage Borough	100.00%
State Of Alaska Adl 390584	Anchorage Borough	100.00%
State Of Alaska Adl 390587	Anchorage Borough	100.00%
State Of Alaska Adl 390583	Anchorage Borough	100.00%
State Of Alaska Adl 390580	Anchorage Borough	100.00%
State Of Alaska Adl 390589	Anchorage Borough	100.00%
State Of Alaska Mht 9300061	Anchorage Borough	100.00%
Linc Energy (Alaska) Inc	Matanuska-Susitna Borough	100.00%
State Of Alaska Adl 390558	Anchorage Borough	100.00%
State Of Alaska Adl 390570	Anchorage Borough	100.00%
State Of Alaska Adl 390565	Anchorage Borough	100.00%
State Of Alaska Adl 390569	Anchorage Borough	100.00%
State Of Alaska Adl 390566	Anchorage Borough	100.00%
State Of Alaska Adl 390573	Anchorage Borough	100.00%
State Of Alaska Adl 390574	Anchorage Borough	100.00%
State Of Alaska Adl 390564	Anchorage Borough	100.00%
State Of Alaska Adl 390562	Anchorage Borough	100.00%
State Of Alaska Adl 390563	Anchorage Borough	100.00%
State Of Alaska Adl 390559	Anchorage Borough	100.00%
State Of Alaska Adl 390561	Anchorage Borough	100.00%
		Percentage
Alaska Coal Leases	Location	Interest
AK Mental Health Trust 940434	Denali Borough	100.00%
AK Mental Health Trust 920462	Kenai Penninsula Borough	100.00%
AK Mental Health Trust 920461	Tyonek	100.00%
		Percentage of
Wyoming Oil & Gas Leases	Location	Working Interest
A J Kopp And Lulu L Kopp	Converse	85.50%
Agnes Verner, Et Al	Converse	79.00%

Converse

Ann Obrzut

Wyoming Oil & Gas Leases (continued)	Location	Percentage of Working Interest
Arthur E Symons	Converse	82.00%
C. E. Kopp And Mildred M. Kopp	Converse	85.50%
C. M. Kopp And Mary S. Kopp Calvert Crary Residuary Trust Dated April 29,	Converse	85.50%
1997	Converse	77.00%
Carolyn L. Riley, Et Al	Converse	82.00%
Charles B Olin Et Al	Converse	77.00%
Chicago & North Western Transportation	Converse	78.00%
Chris Eyre	Converse	78.00%
Clyde M Watts And Albert D Walton	Converse	77.00%
Continental Oil Company	Converse	77.00%
E R Mcquaid And Clara B Mcquaid	Converse	73.44%
Edward Walkinshaw Et Ux	Converse	85.00%
Elmer Energy	Converse	78.00%
Fenex Oil Co Et Al	Converse	78.00%
Fenex Oil Co Et Al	Converse	78.00%
Fenex Oil Co Et Al	Converse	78.00%
Frances Foster	Converse	77.00%
Fred Walkinshaw And Nora Walkinshaw	Converse	80.00%
George A Leach And Alma Leach	Converse	77.00%
George A Leach And Alma Leach	Converse	77.00%
George W Kelly Et Al	Converse	77.00%
Glenrock Sheep Company	Converse	78.50%
Gus Engleking Et Al	Converse	78.00%
Gary Pothe And Minnie Pothe	CONVERSE	77.00%
H C Young Et Al	Converse	77.00%
Horace L Crary	Converse	77.00%
Iona M Campbell Et Vir J L Gooder & Florence E Gooder, H/W And	Converse	78.00%
George T. Godder & Evelyn C. Godder, H/W	CONVERSE	44.90%
J L Gooder Et Al	Converse	44.90%
James C Tvaruzek And Elizabeth Tvaruzek	Converse	78.00%
James C Tvaruzek And Elizabeth Tvaruzek Jon C. Nicolaysen, Trustee For The KGN Mineral	Converse	78.00%
Trust Dated September 9, 1998 (April M Jeffers) Jon C. Nicolaysen, Trustee For The KGN Mineral Trust Dated September 9, 1998 (Dean Gifford	Converse	77.00%
Davidge) Jon C. Nicolaysen, Trustee For The KGN Mineral	Converse	77.00%
Trust Dated September 9, 1998 (Lura Crary Griswold) Jon C. Nicolaysen, Trustee For The KGN Mineral	Converse	77.00%
Trust Dated September 9, 1998 (Phyllis Davidge Knapp) Jon C. Nicolaysen, Trustee For The KGN Mineral	Converse	77.00%
Trust Dated September 9, 1998 (Ronald Holm Davidge) Jon C. Nicolaysen, Trustee For The KGN Mineral	Converse	77.00%
Trust Dated September 9, 1998 (Susan Beauchamp Davidge)	Converse	77.00%

		J,
Mining	, Tene	ments
3	30 Jun	e 2011
Percentage	of	

Wyoming Oil & Gas Leases (continued) Jon C. Nicolaysen, Trustee For The KGN Mineral	Location	Percentage of Working Interest
Trust Dated September 9, 1998 (Thomas Crary Davidge Iii)	Converse	77.00%
Jon C. Nicolaysen, Trustee For The KGN Mineral Trust Dated September 9, 1998 (William Henry		
Davidge) Jon C. Nicolayson, Trustee For The KGN Mineral	Converse	77.00%
Trust Dated 9-9-98 KGN Mineral Trust	Converse Converse	77.00% 82.00%
KGN Mineral Trust (Chandler Y Keller)	Converse	80.00%
KGN Mineral Trust (Debra Cecile Yerkes Brambley)	Converse	80.00%
KGN Mineral Trust (George H Anderson)	Converse	80.00%
KGN Mineral Trust (Jean K Carros)	Converse	80.00%
KGN Mineral Trust (Mary Louise Mcgregor)	Converse	80.00%
KGN Mineral Trust (Mary Shifflet Yerkes)	Converse	80.00%
KGN Mineral Trust (Richard Burch Eyre)	Converse	80.00%
KGN Mineral Trust (Robert G Stoughton Marlowe)	Converse	80.00%
KGN Mineral Trust (Suzanne Stoughton)	Converse	80.00%
KGN Mineral Trust (Winifred Crary Valens Trust)	Converse	80.00%
Leslie Gay Bolln	Converse	79.50%
Marie K Swoboda	Converse	78.00%
Mary Elizabeth Sulgrove	Converse	78.00%
Miner D Crary Jr	Converse	80.00%
Minnie O Moffett	Converse	77.00%
Hugo Howe And Joe Tvaruzek	Converse	77.00%
Northwest Oil Co	Converse	77.00%
Pamela Dugan	Converse	77.00%
Pioneer Townsite Co - Refinery	Converse	78.00%
R R Gardner, Administrator	Converse	78.00%
S M Anderson Et Al	Converse	78.00%
St WY 0-1822	Converse	78.00%
St WY 0-23543	Converse	78.00%
St WY 0-2900 Track 5	Converse	78.00%
St WY 0-3459	Converse	78.00%
St WY 04-00241	Converse	78.00%
St WY 0-4063	Converse	78.00%
St WY 0-4329	Converse	78.00%
St WY 0-4392	Converse	78.00%
St WY 0-4393	Converse	78.00%
St WY 0-4592 Track 4-J	Converse	78.00%
St WY 05-00269	Converse	78.00%
St WY 05-00270	Converse	78.00%
St WY 06-00465	Converse	78.00%
St WY 0-6048	Converse	78.00%
St WY 0-6049	Converse	78.00%
St WY 0-6050	Converse	78.00%

Wyoming Oil & Gas Leases (continued)	Location	Percentage of Working Interest
St WY 0-6051	Converse	78.00%
St WY 0-6052	Converse	78.00%
St WY 0-6117	Converse	78.00%
St WY 0-6876	Converse	78.00%
St WY 0-7787	Converse	78.00%
St WY 0-7790	Converse	78.00%
St WY 0-7791	Converse	78.00%
St WY 0-9125	Converse	78.00%
St WY 0-9299	Converse	78.00%
Stephen R Crary Marital Trust	Converse	78.00%
Susannae B Brubaker	Converse	78.00%
Susannae B Brubaker	Converse	78.00%
Susannae B Brubaker	Converse	78.00%
Ted Stewart, Et Al	Converse	78.00%
V R Ranch, A Wyoming Corp	Converse	84.50%
W-0249	Converse	78.00%
Westport Oil & Gas Company LP	Converse	78.00%
Westport Oil & Gas Company LP	Converse	78.00%
Westport Oil & Gas Company LP	Converse	78.00%
William E Barber	Converse	78.00%
WYM-070469	Converse	78.00%
WYM-000610	Converse	78.00%
WYM-002217	Converse	78.00%
WYM-003035	Converse	78.00%
WyYM-077076	Converse	78.00%
WyYM077337	Converse	78.00%
WYM-077843	Converse	78.00%
WYM-161771	Converse	78.00%
WYM-164393	Converse	78.00%
WYM-164394	Converse	78.00%
WYM-164691	Converse	78.00%
WYM-172989	Natrona	78.00%
WYM-172991	Converse	78.00%
WYM-173001	Natrona	78.00%
WYM-178088	Converse	78.00%
WYM-178089	Converse	78.00%
James M Lasley Trust	Campbell	100.00%
Mary Jane Curry	Campbell	100.00%
Gloria Clay	Campbell	100.00%
Jackie Michael Burkhardt	Campbell	100.00%
Charles Jerry Gregory	Campbell	100.00%
Linda Murray	Campbell	100.00%
Brenda Sue Clouser	Campbell	100.00%
Robert L Moyer	Campbell	100.00%

Linc Energy Ltd Mining Tenements 30 June 2011 Percentage of

Wyoming Oil & Gas Leases (continued)	Location	Percentage of Working Interest
Charles H Miller	Campbell	100.00%
State Of Wyoming No 42164	Sheridan	100.00%
State Of Wyoming No 42165	Sheridan	100.00%
Jerry Gregory	Campbell	100.00%
Robert Edward Mcclean	Campbell	100.00%
Robert Edward Mcclean	Campbell	100.00%
Gloria Clay	Campbell	100.00%
Mary Jane Curry	Campbell	100.00%
Jackie Michael Burkhardt	Campbell	100.00%
Phyllis A. Springen Testamentary Tr	Campbell	100.00%
Margaret Mary Mcclean	Campbell	100.00%
State Of Wyoming No 11-0010	Campbell	100.00%
Susan Elizabeth Heidland	Campbell	100.00%

Glossary of Terms

ACRONYM	DEFINITION
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
DERM	Department of Environment and Resource Management (Queensland, Australia)
EIS	Environmental Impact Statement
EOR	Enhanced Oil Recovery
EPC	Exploration Permit for Coal
FT	Fischer-Tropsch
GTL	Gas to Liquids
MLA	Mining Lease Application
OOIP	Original oil in place
OSHA	United States Occupational Safety and Health Administration
Pre-FEED	Preliminary front end engineering design
PQ	PQ is a technical term indicating the size of mineral borehole with a larger wireline core, generating large samples for testing.
SKM	Engineering consultancy Sinclair Knight Mertz
UCG	Underground Coal Gasification