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## **ASX ANNOUNCEMENT / MEDIA RELEASE**

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4 March 2010

### **COAL SALE & COMPANY UPDATE**

- **Update on the status of the Queensland coal tenements sale**
- **UCG Generator 4 & GTL Update**
- **South Australian Projects Update**
- **Update on other Projects**

#### **COAL SALE UPDATE**

The sale of coal tenements at Emerald, Pentland and Galilee is progressing albeit more slowly than hoped. The Company continues to pursue sale outcomes that reflect full and fair value for these high quality assets on behalf of its shareholders.

Discussions and negotiations are continuing with a number of overseas interests and Australian based mining houses. The interested parties are in some cases negotiating to buy all three assets and in other cases individual assets.

Some of these negotiations are at a very advanced stage. A written offer for the purchase of all three coal assets has been received from one party and whilst negotiations with that party are now at a very advanced stage, the Company is continuing to progress all potential avenues until a sale(s) is realised. The Linc Energy board has insisted that a sizable deposit accompany any signed sale agreement. Accordingly, a considerable amount of time has been spent working through these financial details from the buyers side to ensure that ultimately the Company achieves a smooth and successful transaction that serves all parties.

The Company also commissioned Brisbane-based MineCraft Consulting to complete a Conceptual Mine Development Study for the Theresa (Emerald) resource. The study identified a high value underground longwall mine development option yielding 3.8 Mtpa of product coal over a 30 year life of the mine study with approximately 2.5 million tonnes/annum of semi-soft coking coal being produced and 1.3 million tonnes of good quality thermal coal production per annum.

MineCraft was asked to provide a third party determination of the value of the Theresa resource based on the proposed mine development and their assessment of long-term coal

pricing. The conservative central case valuation of the project/asset was estimated by MineCraft to be A\$529M (A\$NPV).

A similar conceptual mine plan is currently being completed on the Galilee tenement by Xenith Consulting however Linc Energy's own modeling currently suggests a very cost effective long life open cut strip mine, producing 30 million tonnes per annum of low sulphur very good quality thermal coal with strip ratios commencing at approximately 2.5:1. The indicative NPV from Linc Energy's own modeling has the valuation at over A\$1 billion (including an allowance for infrastructure, investment into railways etc). Linc Energy will complete a third party valuation at the same time as it completes its conceptual mine plan study.

The Company has also had a conceptual mine plan study (inclusive from mine face to port) completed by Xenith Consulting for the Pentland tenement. The plan shows approximately 3 million tonnes per annum of thermal coal suitable for open cut extraction. Pentland is the smallest of the three coal assets both in size, tonnage and opportunity but the Company believes that it remains a good hedge against rising thermal coal prices and has good prospects of a relatively fast commencement of operations.

Whilst it is not possible to state when the coal sales will be completed, Linc Energy remains locked in negotiations to complete a sale that the Company believes will realise very good value based on continuing levels of interest and the continued strong market demand for thermal and metallurgical coals. The Company believes that the opportunity to unlock value from the coal assets continues to increase.

## **OPERATIONS**

### **UCG Generator 4 & GTL, Chinchilla**

Linc Energy recently announced on 3<sup>rd</sup> February 2010, that it successfully commissioned its fourth and most recent Underground Coal Gasification (UCG) generator at the Chinchilla Demonstration Facility. UCG Generator 4 was constructed and commissioned on budget in less than 5 months. The ignition, via a new unique process developed by Linc Energy, was successful at the first attempt with gas routed to the flare within 7 hours.

Since ignition, gas production from Generator 4 has been stable with temperatures and flow rates increasing as the generator cavity matures. Gas quality is on target with oxygen storage and vaporisation equipment having been installed in preparation for an enriched (O<sub>2</sub>) air trial during March. That trial will validate Linc Energy's enriched air gasification models and will allow the Company to produce high quality synthesis gas required for certain applications.

Commissioning of a microbial waste water treatment plant is now also underway following mechanical completion of a 24 m<sup>3</sup>/day demonstration plant that has been developed in conjunction with Veolia. This investment is another important element of the Company's strategy to have technologies in place to ensure sustainable ground water resource management. These technologies also include groundwater replenishment technologies that are another important feature of Generator 4 which are performing to expectation and providing for increased and sustainable hydrostatic containment pressures.

Generator 4 provides a significant step forward and positions the Company for commercialisation in South Australia. The generator is designed to demonstrate increased gas production rates, higher coal recovery, larger and longer production life, which are all key attributes for delivering lower gas production costs.

Based on the established commercial drivers, Linc Energy's UCG technology platform will advance further again this year using Generator 4 performance to validate gasification and cavity growth models as well as assisting to improve process control capability and operability aspects related to reliability over the life of the generator.

As well as forming the design basis for Generator 5 which will be in operation by the end of 2010, Generator 4 will also form the basis for capital and operating assumptions to support feasibility studies that are planned for the South Australian commercial project during the remainder of this year. Work has already started on the design of the pre-production generator (UCG Generator 5) for the Walloway Basin, South Australia.

Synthesis gas from Generator 4 is now in the process of being reintroduced into the Gas to Liquids (GTL) plant. The plant has recently been recommissioned after a comprehensive set of modifications to improve catalyst reduction and activity. The modifications have all been commissioned and confirmed to be operating successfully. Catalyst reduction has been completed and gas has been introduced into the front sections of the plant and is performing very satisfactorily. The next Fischer-Tropsch production campaign will commence in the week commencing 1<sup>st</sup> March 2010.

The Aker Solutions (Kvaerner) Engineering report on Linc Energy's commercial GTL plant is nearing completion. A number of models are still being reviewed with an emphasis being focused upon the efficient completion of the GTL plant into a smaller modular style approach which can be more easily manufactured overseas and transported to site. The smaller modular GTL unit model will also enhance the Company's ability to unlock coal to liquid value from more locations around the world.

### **Chinchilla UCG Paves the Way for First South Australian Project**

The development of Linc Energy's first commercial UCG operation in the Walloway Basin in South Australia (near the town of Orroroo) will be the key focus for the business over the next few years. As previously announced, exploration in the Walloway Basin has confirmed lignite resources with an exploration target of 1.0 to 1.3 billion tonnes<sup>1</sup> in accordance with the JORC Code.

As previously announced, this resource has ideal coal qualities for UCG generation with the thickness of the coal seam in the central areas of the resource being a key ingredient for low cost gas production. The Walloway Basin coal is also at an ideal depth for UCG operations with competent overlying strata likely to provide adequate separation from overlying aquifers.

The resource is of a size that could potentially support an initial 200+ MW power development that would expand to include 20,000 barrels per day (bpd) of clean synthetic fuels and additional power exports that would bring total exports to 500 MW. Initial estimates based on the size of the coal deposit at this site indicate that this level of production could be sustained over an operating life of more than 50 years.

<sup>1</sup> In accordance with the requirements of clause 18 of the JORC Code regarding exploration, the following compulsory statement concerning exploration targets is included: "[T]he potential quantity and [quality] is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource."

The anticipated project stages for the Walloway Basin include:

### Stage 1

A pre-production stage (UCG Generator 5) is targeted to commence operations by the end of 2010. Stage 1 will involve the construction and operation of one UCG gas generator designed to provide Linc Energy with site specific gasification experience that will provide engineering and environmental data to support the commercial project inputs for Stage 2.

Environmental investigations including hydro-geological studies are now well underway to support the Stage 1 schedule of having UCG Generator 5 commissioned by year end.

### Stage 2

Stage 2 involves the production of up to approximately 15 PJ/annum of gas for a significant power generation project (up to 250 MW).

The Orroroo site for this project is well situated being approximately 35 km from major 275 kV electricity transmission infrastructure that provides access to the national electricity market.

Feasibility studies to confirm the best value configuration for the power generating plant as well as to confirm the gas production costs based on local factors including coal parameters will be completed during 2010. Coupled with power market and transmission studies, negotiation of interconnection and finalisation of other commercial arrangements and project approvals, the Company is planning to be in a position to make an investment decision on the project in the fourth quarter of 2010.

### Stage 3

An expansion of gas production to support a large synthetic fuel (GTL) facility is the final stage of the proposed development sequence for South Australia.

As noted above, Linc Energy is currently in the final stages of completing a conceptual engineering study for a 20,000 bpd GTL facility at Orroroo. The work is being conducted in conjunction with Aker Solutions who will deliver their report shortly. The study will provide indicative information on the scope, production output(s), capital and operating costs for this facility. Utilising that work, it is planned to undertake further process and project optimisation work in support of the smaller modular scale capacity approach mentioned above through the remainder of 2010 with the intention of commencing front end engineering and design (FEED) work in late 2010.

## **EXPLORATION**

Linc Energy's drilling and exploration programs will continue across Queensland and South Australia during 2010, with work in the first quarter planned as follows:

### **Queensland**

Linc Energy's drill rig is currently mobilised in Chinchilla to finalise groundwater monitoring wells associated with Generator 4 and the newly commissioned waste water treatment facility.

Once the Linc Energy rig has completed the abovementioned work, it will mobilise to Linc Energy's Biloela tenements to conduct an eight hole drill program, expected to continue for about six weeks, depending on weather and ground conditions.

### **South Australia**

In the Walloway Basin, two rigs have been mobilised since the end of January.

The focus of one rig is to further appraise and define the coal resource (including further assessment of the overburden material) as a critical feature of the commercial project development program. As an outcome of this work, a resource statement will be issued in Quarter 2 in accordance with the JORC code.

The second rig in the Walloway Basin is focused on drilling piezometer wells to gather hydro-geological information for the UCG team, and prepare for Linc Energy's environmental submissions for its first trial UCG operation.

Both rigs are anticipated to operate in the Walloway Basin until April 2010, depending on weather and ground conditions.

Once this program has been completed, it is intended to move one rig back to the Arckaringa Basin for further exploration in Linc Energy's Exploration Licences (ELs) and Petroleum Exploration Licences (PELs) in that area.

Prior to the recommencement of drilling in the Arckaringa Basin, a technical review of data previously gathered from the 2009 program will be completed. This review will particularly focus on UCG evaluation and the evaluation of any further interpretation of data gathered in relation to the recently announced 'oil show'.

## **GLOBAL PROJECTS**

### **Vietnam**

The stage 1 Tonkin Project in the Red River Delta near Hanoi is still progressing albeit slowly due to unforeseen delays in finalising approvals for the Investment Licence by the Vietnamese government.

Linc Energy continues to work with its project partners (Vinacomin and Marubeni) to assist in attempting to finalise approvals although this work is proving to be far more difficult than had been anticipated.

Mr Peter Bond, Linc Energy's CEO said "I perfectly understand why a large part of the investment community is focused on the coal asset sale. But, in doing so it can be easy to miss a number of other achievements Linc Energy has made recently. There are the obvious milestones such as the commissioning of UCG Generator 4, the process improvements to the GTL plant, the acquisition of the additional coal leases in the Powder River Basin and the drilling of the first commercial site in the Walloway Basin in South Australia. There has also been the 'oil show' recently discovered in the Arckaringa Basin (which was noted by the South Australian Minister for Mines and Energy as excellent news for South Australia and a discovery which reinforced the prospectivity for petroleum in the basin) and the recent lease acquisition in Alaska."

“In this update we have provided our shareholders with a snapshot of what has been achieved in the past few months. In the immediate future the Company will continue to develop the opportunities it has created, and I personally will be continuing my significant efforts to complete the coal sale as I’ve promised.”

For further information please contact Mr Peter Bond at Linc Energy.



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*The information in this announcement relating to exploration results and coal 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 mineralisation 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 announcement of the matters based on their information in the form and context in which it appears.*

## Company Profile

Linc Energy is an innovative, forward-thinking company developing a significant energy business based on the production of cleaner energy solutions.

Linc Energy has successfully combined two known technologies, Underground Coal Gasification (UCG) and Gas to Liquids (GTL) and has demonstrated its vision of being a leading supplier of a new source of cleaner liquid transport fuels for the future.

UCG technology provides access to coal, deep underground and by in-situ gasification produces a high quality synthesis gas (syngas) containing carbon monoxide and hydrogen. Aboveground, in the GTL process, syngas is processed via Fischer-Tropsch technology to produce high quality, sulphur free synthetic hydrocarbons.

Linc Energy plans to combine its UCG and GTL technologies commercially at sites in Australia and around the globe as it realises its vision of becoming the world's leader in providing cleaner synthetic diesel and jet fuels from stranded coal resources.

UCG produced syngas can also be used as a feedstock to generate gas turbine combined cycle power, resulting in reduced greenhouse gas emissions.

With significant coal deposits suitable for UCG technology, Linc Energy can provide alternative sources of liquid fuels and power generation well into the foreseeable future.

Linc Energy represents a new future for liquid fuels production and high efficiency energy generation.