

# The Australian

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## Linc Energy in talks with cornerstone investor to pursue China investment

- by: Andrew Fraser
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Linc Energy chief executive Peter Bond says the company is talking to a potential investor. Picture: Paul Loughnan

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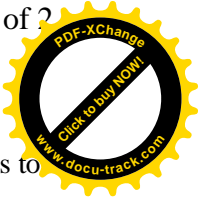
**BRISBANE-based energy company Linc Energy is looking at extending its international operations to China after denying yesterday that it was close to finalising the sale of its large coal tenement in central Queensland.**

Linc's shares price, which fell dramatically last month, shot up by 18 per cent on Friday amid speculation that the company was about to sell its Teresa coal tenement near Emerald in central Queensland.

But in response to a request from the ASX, Linc chief Peter Bond said it had no binding agreement with any parties on this sale, but was "engaged in a discussion with a potential cornerstone investor in the company with which it may pursue significant . . . opportunities in mainland China".

While Linc is most active in Australia, the US and Uzbekistan, in the past few months the company has signed agreements with companies in Poland and Britain to use its underground coal gasification (UCG) technology to produce energy from hard-to-reach deep coal tenements.

While the potential suitor in China remains unknown, Austock analyst Paul Jenz said it would most likely be one of the big state-owned enterprises.



One of the big issues in China is access to resources, so you would need a local partner to give you access to these," he said.

Another possibility is a link between the sale of Teresa and a UCG contract in China, as occurred in 2008 when Linc signed a deal with the Xinwen Mining Group to develop UCG and gas-to-liquids projects in China after the company signed a letter of intent to acquire a package of Linc's Australian coal exploration permits for \$1.5 billion.

But the UCG arrangement lapsed when the coal sale failed to proceed.

Linc has three pillars in its operation -- production of energy through underground coal gasification, oil, and converting gas to liquids -- but it also has some coal tenements in Queensland which are on the market.

One of these was sold in 2010 to India's Adani Enterprises in a 20-year deal worth up to \$3bn, but since then the company has not been able to find suitable buyers for its other two tenements. Linc is still undertaking a trial of its UCG technology at Chinchilla in western Queensland, although the future of the technique is under a cloud in that state.

UCG involves burning coal while it is still underground.

Another UCG company operating in Queensland, Cougar Energy, had its trial at Kingaroy stopped after complaints from locals about possible pollution.

The Queensland government has set up an independent scientific panel to report on the future of the industry in May this year.

Linc was trading at \$2.75 in August but dropped steadily as the year progressed and in December went from around \$1.50 to a low of \$1.10.

On Friday it closed at \$1.33 and yesterday fell 3.38 per cent to \$1.285.

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