

## “Start of drilling... a milestone for Linc Energy”



### DRILLING NOW UNDERWAY

ON THE BACK OF LINC ENERGY'S SUCCESSFUL CAPITAL RAISING, DRILLING HAS COMMENCED ON THE COMPANY'S CHINCHILLA SITE

#### **The start of drilling is a milestone for Linc Energy in its plans to enable economic access to vast stranded coal reserves.**

By bringing together two proven production processes – underground coal gasification (UCG) and gas to liquids (GTL), Linc Energy plans to turn these coal reserves into ultra clean diesel fuel.

The start of drilling means Linc Energy moves another step forward towards delivering a real solution to the current oil crisis.

Open hole drilling commenced on 24 August and was designed to map out the extent of the coal occurrence in the area surrounding the Chinchilla Trial Plant.

The core hole drilling program, which commenced in October is designed to sample the target coal seams to provide coal quality data and enable an estimation of the in-situ coal resource.

Initial drilling results have been positive and indicate Linc Energy is on target with its plans.

An indicated coal resource estimation is expected to be available by end of February 2007. This should then pave the way for Linc Energy to qualify with the Department of Natural Resources and Mines for a mining lease application.

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In a move to save costs and increase flexibility, Linc Energy has acquired its own drill rig



## INTERVIEW WITH MARK TOMKINS, LINC ENERGY SHAREHOLDER

MARK TOMKINS IS ONE OF LINC ENERGY'S NEW SHAREHOLDERS



## PREMIER WELCOMES RUSSIAN INTEREST IN SMART FUEL TECHNOLOGY

Living in The Oaks in New South Wales with his wife and four kids, Mark is a successful business entrepreneur that has owned and managed a detergent manufacturing company for the past eighteen years.

His pastime interests include cricket, snow skiing and flying. *Investor Linc* spoke to Mark Tomkins to get a shareholder perspective on Linc Energy.

### What attracted you to investing in Linc Energy?

I was largely attracted to Linc Energy because Peter Bond is the driving force of the company.

I have known Peter for some time and I have confidence in what he is capable of. He is a visionary, doggedly determined and intelligent, and any project he starts, he finishes.

The Linc Energy concept was obviously also very attractive because of the looming oil problems. Energy is key for the future, and being a part of a new and innovative energy company going into the future, is exciting.

### How do you think Linc Energy is progressing?

I believe Linc Energy is progressing well. They are on target and progressing at a pace they said they

would prior to the listing. My view is they are on track for an exciting future.

### Do you plan to be a short-term or long-term holder of Linc Energy shares?

I am in it for the long term. I see huge potential.

### If there is one thing that you would like to see Linc Energy complete over the coming twelve months, what would it be?

There are actually two key things I would like to see happen. One is the completion of the EIS (Environmental Impact Statement). These approvals are fundamental going forward.

The second key item is the GTL Pilot Plant. I think this is most important as it will prove what the company can do.

Premier Peter Beattie said the visit by a high level Russian business delegation to inspect Linc Energy's Smart State technology could lead to a significant increase in gas and diesel oil production in Queensland.

Mr Beattie said the Russian group was from Belon Ltd, based in Kuzbass, Russia.

"Benlon employs 6,000 workers in coal mining, manufacturing and related industries," Mr Beattie said.

"For decades, the Russians have been using the underground coal gasification (UCG) process to convert coal reserves into sources of high quality diesel fuel and other energy products.

"UCG effectively takes low-valued, stranded, coal reserves and transforms them into a massive world-scale oil resource.

"The delegation came to look at Queensland's Smart technology, and to gain first-hand knowledge of the Smart State's potential in this arena," he said.

Mr Beattie said the delegation was hosted by Linc Energy Ltd.

"Linc Energy is a Smart State Company taking the development of UCG to the next level and believes its work will reveal UCG as one of the country's major alternate energy sources," Mr Beattie said.

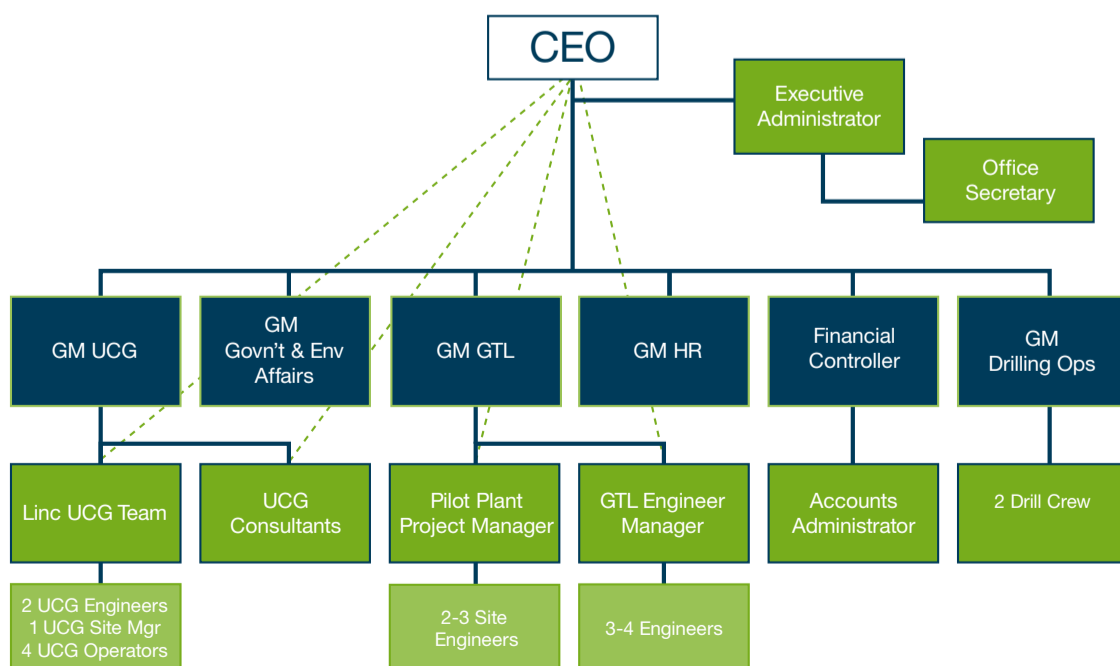
"It has the capability to produce 20,000 barrels per day of ultra clean diesel fuel through the expansion of its UCG field near Chinchilla."

Mr Beattie said Russia is a strong emerging trading partner for Queensland, with enormous potential.

"Over the past five years, the growth in Queensland's merchandise exports to Russia has more than doubled, increasing by more than 150 per cent," he said.

Mr Beattie visited Russia earlier this year in an effort to accelerate growing Russian interest in investing in Queensland.

## THE LINC ENERGY ORGANISATIONAL CHART



## FEATURE INTERVIEW

### INVESTOR LINC INTERVIEWS LINC ENERGY'S MANAGING DIRECTOR, **PETER BOND**



**Bond is the surname many attribute to the immortal action hero and stunt man of film history. But for Linc Energy, Bond is the name behind the Company's successful capital float and the name behind moving another step closer to delivering a solution to the current oil crisis.**

#### **What is the history of Linc Energy? When did the business commence and how did you become involved?**

Linc Energy was formed in 1996. The purpose was to research, develop and commercialise a process, which enabled the in-situ conversion of underground coal into recoverable synthesis gas, known as underground coal gasification (UCG).

Linc Energy was granted an Exploration Permit for Coal at Chinchilla, Queensland in December 1998 and commenced work on site in July 1999.

Gas was first produced in Christmas 1999 and after more than two years of producing gas, Linc Energy was able to prove complete control of the process and environmental stability.

Following the success of the UCG trial at Chinchilla, Linc pursued a commercialisation strategy for UCG. At that time, this strategy was focused on providing feedstock for electricity production through gas turbine generators.

Consequently, in 2004 the Company sought a new investor to underpin its go-forward development plans, and it is at this point that I became involved.

#### **What were you doing before Linc Energy days?**

I have a process engineering background, which now compliments my role with Linc Energy.

Through my early engineering days, various business ventures and 20-year career, I gained a considerable understanding of the coal mining industry.

#### **Describe the journey you have had taking the Company from concept to float?**

Linc Energy, as every company involving new technologies, has had

a long journey to this point. The early days were marked by the success of its underground coal gasification program, proving that the process was technically feasible and controllable. With the technical side proven, the Company switched its focus into commercialisation of the syngas. Power generation were the early commercial paths chosen by Linc Energy.

I came on board in October 2004 and re-focused the Company on GTL diesel.

With analysts predicting world oil prices would continue to escalate, the timing was right. We decided to push forward on our plans for a new fuel alternative and pursue a stock exchange listing and capital raising.

We were focussed on conveying to the market our vision for delivering the production of cleaner petroleum products via underground coal gasification (UCG) and conversion of this cheap and abundant gas to diesel through the gas to liquids (GTL) process.

The twelve month period prior to the listing was extremely intense with detailed planning and due diligence.

It has been a highlight for me to achieve the successful capital raising (AUD\$22million) and subsequent listing on the Australian Stock Exchange in May this year. The float confirmed the market's solid interest in our vision and it has enabled us to move onto the next stage of our business plan.

#### **What was the biggest challenge you had to overcome in getting the business to this point?**

The main challenge has been to make potential investors – who by large do not have an engineering background - understand the process and the enormous potential that can be unlocked in a company like Linc Energy.

#### **Why do you believe there is so much potential with Linc Energy?**

The unique combination of two relatively proven production processes - UCG and GTL - on a commercial scale is a world-first but a very straight forward and common sense approach and has the potential to become a significant alternative energy source.

The gas is cheap, the coal resources abundant and the application process may be capable of duplication in Australia and around the world. It is this potential to duplicate this 'plan' in places like the USA, China and other Australian locations for example that makes Linc Energy a very significant and compelling story.

#### **What is the next step for Linc Energy?**

We have recently commenced drilling on site, which is a significant milestone for the Company.

The first stage of our business plan using the funds raised from the IPO are concerned with the feasibility of the future development of a 20,000 barrel per day (bpd) GTL facility.

Activities in this first stage incorporate restoring and expanding the UCG (Gas) field at Chinchilla, engineering, installing and commissioning a GTL demonstration plant with a target production capacity of 5 to 10 bpd, and completing the exploration coal drilling to ensure Linc Energy can confirm a significant coal resource to drill forward the commercial UCG to GTL operation and the feasibility study and Environmental Impact Study.

#### **What do future stages involve?**

Stage Two involves the engineering, design, financing and construction of a 20,000 barrels of diesel per day plant. This should take approximately 24 months from funding.

Stage Three involves expanding the process overseas. We have particular interest in the USA and China.

#### **Where do you see Linc Energy in ten years time?**

Linc Energy shall be a significant diesel producer to the Australian market providing over 10% of the country's diesel requirements. We will have completed our second plant in Australia and have numerous opportunity overseas due to a significant up-swing in the oil price and a great deal of uncertainty in supply of "clean energy".

By now, most higher sulphur fuels have been banned from most major world fuel consumers (due to the massive global environmental concerns) including China, adding increasing pressure on clean fuel companies like Linc Energy to provide even greater quantities of 'fuel'. Linc Energy is now more than just a "clean fuels company" – we are considered a clean energy company with operations in GTL, power and gas.

#### **What are some of your most valuable lessons learned through your experiences with Linc Energy?**

- 1. Know your outcome.**  
What is it you exactly want?
- 2. Plan for it.**  
Use simple steps to take big steps.
- 3. Use great people in your team and as professional advisers.**  
Pay extra - it's worth it.
- 4. Think big.**  
If you can't see the big picture, who can?

“The float confirmed the market's solid interest in our vision”

## LINC HOLDS ITS FIRST AGM

NOVEMBER 16 WAS A MOMENTOUS OCCASION FOR THE NEWLY LISTED LINC ENERGY... ITS FIRST ANNUAL GENERAL MEETING

### Annual General Meeting Highlights of the Managing Director's Report

Linc Energy's business objective is to become a significant producer of synthetic diesel fuel for the Australian and world markets.

It will produce this fuel by applying the process of underground coal gasification (UCG) to produce cheap and abundant volumes of Syn-gas from Linc's significant coal resources. And in turn, feed this cost-effective UCG gas into a gas to liquids (GTL) facility to produce some of the best and cleanest diesel product in the world.

It's not just a great idea to take unwanted and unused coal reserves and turn that 'stranded coal' into badly needed oil and diesel...it's a national strategic necessity.

In the year 2000, Australia was self-sufficient in oil production and consumption. Now, we are importing approximately 30% of our fuel requirements and it will only be another four or five years before we'll slip below 50% self-sufficiency. This represents billions of dollars sent overseas to buy oil.

Linc Energy is not the only answer but we are one of the answers. From our site in Chinchilla, Linc can produce 10% of Australia's diesel requirements – and this doesn't take into account Linc Energy's other coal resources. Linc Energy may not be the only answer, but we're a great start!

#### Our immediate goals:

Our immediate goals, as outlined in the prospectus are to:

1. Purchase the land at Chinchilla, which Linc Energy had been using as its UCG field and base, which also covers a lot of its coal area
2. Drill the Chinchilla resource areas with the aim of proving a commercial quantity of coal able to be used in UCG

3. Expand and recommence the UCG gas field at Chinchilla
4. Design, engineer, construct and commission a gas to liquid (GTL) pilot plant of approximately 5 barrels per day capacity
5. Commence and complete an Environmental Impact Statement (EIS) and apply for relevant approvals for the construction and operation of a 20,000 barrel per day GTL facility at Chinchilla
6. Hire a team capable of making all of this happen within a timetable of approximately 12 – 18 months.

#### Where are we at with these goals?

1. **Land Purchase:**  
We purchased the land. We exchanged contracts within two weeks of the float occurring and settled shortly after. We also bought the adjacent property, known as Ulinda Park, which doubled our acreage holding!
2. **Drilling Exploration:**  
Linc Energy has been drilling now for approximately three months and has effectively completed our first stage program – slightly ahead of schedule.
3. **Recommencement of UCG:**  
A number of issues are underway with the UCG field and the expansion of the technology. Items like the air compressors that run the UCG process, have been ordered with delivery after Christmas. In addition, Linc Energy is in the process of erecting the overhead power lines and 2.5MW sub-station that will operate the UCG compressors as well as the GTL pilot plant. Other issues like UCG well inspection and design are also underway.
4. **GTL Pilot Plant:**  
The design and engineering of the GTL pilot plant has progressed well. Our chosen design engineers in South Africa, MegChem, have done a great job. Initial design of

approximately 90% of the plant has been completed. Linc Energy is moving quickly onto procurement of equipment once costings are negotiated and finalised.

5. **EIS and Approvals:**  
Linc Energy has completed its terms of reference for the EIS (Environmental Impact Statement) and is close to submission. The approvals process is well underway and though it will take another 12 months or longer to complete, the finalisation of the EIS process will add significant value to the company. The completion of the EIS and its related approvals including the Mining Lease, turns Chinchilla from a 'feasible project' into a 'real project' overnight.
6. **Team:**  
The scope of what Linc Energy is completing is at times breath-taking and extraordinary. Subsequently, an extraordinary team is required to ensure we, as a company, are successful. In the last few months, we have assembled a skilled team including Keith Allaun as HR Manager, Justyn Peters as General Manager Environmental and Government Affairs, Oleg Krzyzanowski as General Manager UCG, Adrian Reeve and Paul Rundel as GTL Managers, Phil Jay as Drilling Program Manager, Wayne O'Brien as Financial Controller and Janelle van de Velde as Executive Assistant to the CEO.

We are all part of a sensational company, which is putting together a project second to none in the world.

The day Linc Energy turns its UCG plant on at Chinchilla will be a huge step forward, not just for Linc Energy and its shareholders as a company, but for Australia as a whole.

## LINC ACQUIRES ITS OWN DRILL RIG & RECRUITS DRILL MANAGER

In a move to save costs and increase flexibility, Linc Energy has acquired its own drill rig.

The Bourne 1500 rig with F7 Volvo truck and Volvo water truck with Hi-Ab was purchased for an approximate cost of \$300,000 including refurbishment.

The drill rig is estimated to cut operating costs in half by internalizing the drilling rather than externally contracting the work. Further to the acquisition, Phillip Jay has been appointed Drilling Manager for Linc Energy. Phillip Jay is a highly experienced drilling program director with more than 20-years on-shore and off-shore drilling experience.

Phillip has a Bachelors degree in Mechanical Engineering and has managed highly successful drilling operations for White Sands, Global Marine Drilling, Richter and BHP.

## IN THE NEWS

Linc Energy is gaining Australian and International media coverage.

To view more, go to [www.lincenergy.com.au/mediacoverage.html](http://www.lincenergy.com.au/mediacoverage.html)



## MERRY CHRISTMAS

On behalf of the Linc Energy team, thanks for your support in 2006.

We wish you all a safe and happy festive season.

All the best for a prosperous year ahead!



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