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## **Linc Energy's Annual General Meeting CEO's Report**

It is my great pleasure and indeed a privilege to stand before you today and present what is my first CEO Report for Linc Energy as a Public Company. The effort involved in creating a company like Linc Energy and floating it on the Australian Stock Exchange, so we can even stand here today as fellow shareholders, is immense and can only occur with a fantastic team effort. So I'd like to thank "my team" up-front for everything they have done these past few months – thank you guys, you really are exceptional!

Linc is a young company, a dynamic company and most of all an entrepreneurial company. It is a company that needs to take on challenges, take leaps of faith, spend an inordinate amount of time researching and engineering so as to reach our outcome and destination.

Linc and its team is still on that journey but the destination is well known and well understood and in my experience "if you know what you truly want in life and go after it, you usually get it!"

So what does that destination look like for Linc Energy and its shareholders?

Linc will become a significant producer of synthetic diesel fuel for the Australian and world markets.

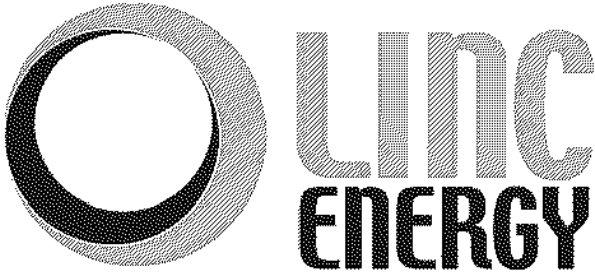
It will produce this fuel by applying the process of 'Underground Coal Gasification' to produce cheap and abundant volumes of Syn-gas from Linc's significant coal resources. And in turn, feed this cost-effective UCG gas into a GTL (Gas to Liquids) facility to produce some of the best and cleanest diesel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

The site Linc Energy intends to build its first plant upon is near Chinchilla, Queensland – approximately 30 – 40 minutes drive west of Dalby.

This isn't just a destination, Ladies & Gentlemen, this is Linc's destiny. It is not just a good commercial decision to do this – it is a compelling case. It's not just a positive environmental story about clean diesel with zero sulphur, it's an environmental necessity which needs to happen, indeed must happen!

It's not just a great idea to take unwanted and unused coal reserves the country wants to utilise for no economic benefit 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 4 or 5 years before we'll slip below 50% self-sufficiency. This represents



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billions of dollars that we need to send overseas to buy oil. Not great for our balance of payments and where is the legacy and infrastructure we need to build now for our future, not to mention our childrens' futures?

Linc is not the only answer by any means but we are one of the answers. From our site in Chinchilla, Linc can produce 10% of Australia's diesel requirements. We, as a company, can easily get another 20% to 30% with some other known coal resource areas we already own! Linc may not be the only answer, but we're a great start!

### **Background:**

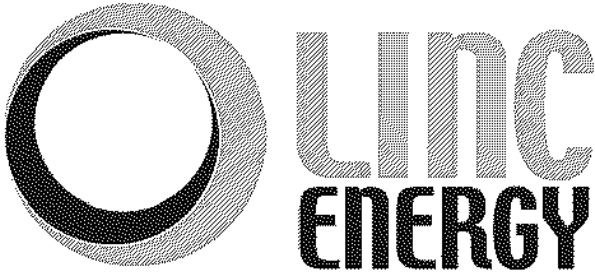
Let me quickly remind you of our immediate company goals. These outcomes have been outlined numerous times but are worth highlighting them quickly once more so I can then review our progress to date for you on each one...

1. Linc's first commitment was to purchase the land at Chinchilla which Linc had been using as its UCG field and base which also covers a lot of its coal area
2. To 'drill up' the Chinchilla resource areas with the aim of proving a commercial quantity of coal, able to be used in UCG
3. To expand and recommence the UCG gas field at Chinchilla
4. To design, engineer, construct and commission a Gas to Liquid (GTL) pilot plant of approximately 5 barrels per day capacity
5. To 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. And finally, the hiring of a team capable of making all of this happen within a timetable of approximately 12 – 18 months.

These were our core outcomes as outlined generally in the prospectus. Approximately six months has passed since the float and it's been an exciting and productive time. I always desire to achieve more in less time but that's just me. The reality is we are tracking very well.

A quick up-date on those same outcomes are:

1. **Land Purchase:** We did purchase the land – indeed we exchanged contracts within two weeks of the float occurring and settled shortly after. Indeed we ended up buying the adjacent property as well – known as Ulinda Park which doubled our acreage holding!  
The explanation for buying the second property is simply that it was available, relatively inexpensive, it had a good size quarry on the land and by financing both properties, the cash saved and invested more than paid for the monthly payments. Whilst preserving shareholders capital of course there was a concern that if we didn't buy it and we finish drilling the areas, then the value and access to that property may have become excessively over-valued and at worst, impossible to gain access to. The purchase and the way



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we handled the purchasing of these properties has also sent a 'positive' message to the locals which is also great!

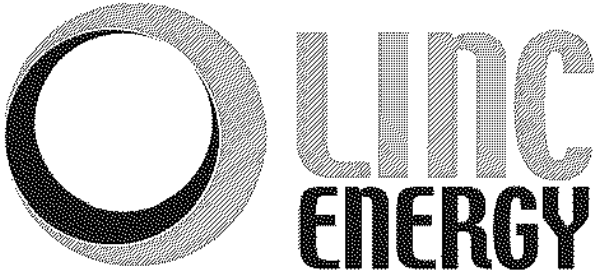
- 2. Drilling Exploration:** I'm going to leave this item for Phil Jay, who is our Drilling Programme Manager to discuss immediately following my presentation. Linc Energy has been drilling now for approximately three months and has effectively completed our first stage program – slightly ahead of schedule too I believe. Linc utilised Mitchells Drilling as our contractors on this first stage and all has gone very well. An extension of some 7 – 8 holes to the original program of 24 open holes and 11 diamond cored holes. Mitchell have now completed approximately 31 open holes and are on the 11<sup>th</sup> core hole which will be the end of their current contract. Nevertheless, it is fair to say that Linc is very pleased with the drilling results to date. This program will be expanded to include sufficient core holes so as to take the resource to proven and then measured which will be a great asset for the company.

The other part I wish to note is that Linc has purchased its own drill rig – a Borne 1500 on a Volvo carrier. The rig was purchased second-hand and is currently being refurbished which is nearing completion. It is this rig and our crew that will take over the drilling program from Mitchells Drilling. The reasons are simple – based on current and future contractor drill rig rates, we can drill our own holes for approximately 50% of the cost of a contractor rig.

The other core reason for purchasing our own drill rig is that we gain and keep the expertise in drilling our own wells - the UCG gas wells. Though not complicated, we do have a procedure to complete. The issues with drilling contractors at present is that the crews are changing faster than the 'drill bits on the rigs' so consistency of expertise is non-existent thus the reason why Linc needs to nurture, capture and retain this skill in-house. The third reason is flexibility. It can take up to 9 months to organise a rig at present so flexibility of arranging timetables and access to properties is greatly restrained and more complicated.

Owning and operating our own rig eliminates these issues and adds another asset to the balance sheet. The purchase cost of the rig including its support truck was approximately \$200,000 which was financed via normal 'hire purchase' arrangements making the ownership cost fairly nominal however giving Linc the capacity to seriously drill and explore much of its 14 coal tenements across Queensland at substantial savings and subsequently proving up significant coal resources over the coming year or two.

- 3. Recommencement of UCG:** A number of issues are underway with the UCG field and the expansion of the technology – some of this is commercial in confidence but I can tell you items like the air compressors that run the



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UCG process have been ordered with delivery after Christmas. In addition, Linc is in the process, literally as I speak, 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. Linc is also spending a great deal of time and money to build its own UCG team so as the company is not dependent upon one contractor and indeed one person. To this end, we have employed a specific UCG Manager and are actively recruiting others. It is believed that once the UCG design is complete, it will only take approximately ten weeks to construct and implement.

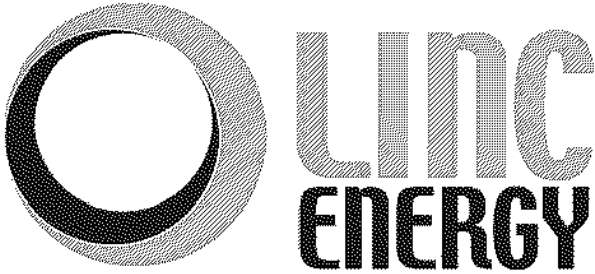
- 4. GTL Pilot Plant:** The design and engineering of the GTL pilot plant has progressed well. Our chosen design engineers in South Africa "MegChem" have indeed done a great job! With initial design of approximately 90% of the plant completed – with Linc Energy moving quickly onto procurement of equipment once costings are negotiated and finalised. To fast track procurement, it will be a national and international exercise with Linc's engineers aiming to procure the best pieces of equipment at the right price in the shortest possible time. Items like steelwork and pipework will be locally sourced. There are only approximately 60 line items of which the majority of these are reasonably easily procured.

The essence of GTL is to take Syn-gas from UCG, clean and feed that clean gas into a Fischer Tropsch reactor. The reactor is full of cobalt catalyst, in essence the gas is pumped through the cobalt catalyst.

This has the effect of taking the short gas molecules and joining them together – into long chains. As this chain grows to around 16 or 17 carbons linked together, it turns into liquids. The liquid is a very purer synthetic hydro-carbon which can be refined into numerous products from wax to get fuel or diesel. Diesel is the most common product chosen, as that's the product which the reactor and the subsequent refinery can generate the most pure product of.

The interesting thing about this process is that there are really only four clear processes that require proving.

First the syn-gas production. In Linc's case, this is via UCG. Secondly, the clean-up of that gas. This is very important as the very fact Linc proves it can produce good quantities of syn-gas via UCG and then clean that gas via a reasonably standard gas clean-up plant, then the value of what Linc is doing virtually instantly becomes world-class and very valuable.



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The third step is the Fischer Tropsch reactor and the relevant catalyst. Much of this technology is easily available via a few reactor and catalyst providers however gaining the version of it that works well and is easily constructed and procured is much of the focus.

Finally, the fourth process is the "refinery". This technology and equipment is completely off-the-shelf. It really is a matter of the relevant engineering company simply designing the standard process and equipment for your fee and stock.

So the drivers for Linc's pilot plant is really the gas clean-up and the Fischer Tropsch reactor.

I would like to now show you the plant design that Linc intends to construct at Chinchilla. The only variable being that the final reactor is still being finalised.

5. **EIS and Approvals:** Linc has completed its terms of reference for the EIS (Environmental Impact Statement) and is close to submission.

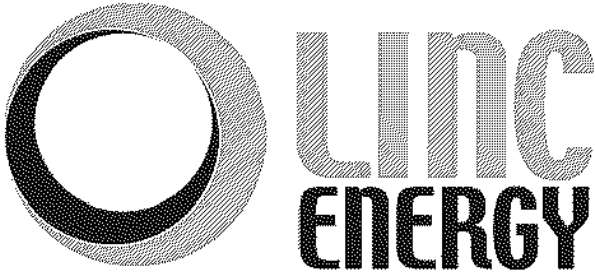
The process in Queensland is that the EIS essentially triggers most of the approvals so, as you are completing the EIS, you are also working on and completing your various approvals (everything from your full Mining Lease approval to the ability to construct and operation a 20,000 barrel per day GTL plant on site).

This process is well underway and though it will take another 12 months or so to complete, the finalisation of the EIS process will add significant value to the company. Simply put, there are few 20,000 barrel per day GTL plant approvals around the world and less in developed countries like Australia.

The completion of the EIS and its related approvals including the Mining Lease, turns Chinchilla from a "feasible project" into a "real project" overnight.

To assist this process, Linc has appointed SKM (Sinclair Knight Merz) to work with our Environmental Manager (Justyn Peters) on this outcome. There is a lot of work still to go on this vital process however I am confident that we will complete it successfully seeing our outcome of gaining the required approval to complete the commercial UCG-GTL plant at Chinchilla.

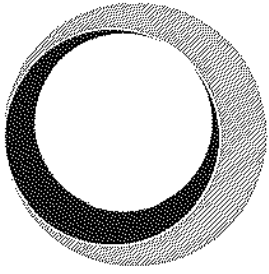
6. **Team:** The scope of what Linc is completing is at times breath-taking and extraordinary. Subsequently, an extraordinary team is required to assemble to ensure we, as a company, are successful.



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I will quickly go over the management team so far assembled...

- Starting with our HR Manager, Keith Allaun. Keith is from California, USA. A Stanford Graduate and has developed significant teams for Apple and Yahoo among others. He is an exceptional head hunter and team builder and we are fortunate to have him on the team.
- General Manager Environmental & Government Affairs is Justyn Peters. Justyn is a lawyer and spent four years as a Director in the Queensland EPA. He is very experienced in knowing the process that Linc needs to complete to ensure a successful EIS. Justyn also has a great deal of government experience at both State and Federal levels.
- General Manager UCG is Oleg Krzyzanowski. Oleg has an extensive background in mining and a passion for UCG that stretches back to his school days in Poland. Oleg speaks Russian and is currently in Moscow driving our program there.
- GTL Manager is split between Adrian Reeve who is ensuring our contractors MegChem and Wits in South Africa perform and Paul Rundel who is the Site Construction Manager. Both are superb engineers in their own right and are great assets to the project. Also in the GLT team is Marius Grobler, ex-SASOL GTL engineer who is keen to get on with building Linc's plant. Mariano Minotti, one of our original team is doing a great job supporting those on site. Charles Osborne is also a late addition to our team.
- Drilling Program Manager is Phil Jay. Phil comes to us with over 20 years of drilling expertise across the globe from basic exploration rigs like ours to complex off-shore oil rigs.
- Financial Controller is Wayne O'Brien. Wayne has done a fantastic job these past few months and has a few challenges ahead of him yet I'm sure! Wayne essentially manages the finances of the company as well as the administration systems and day to day operations of head office here in Brisbane
- Another relatively new team member is Janelle van de Velde. Janelle comes to us from Ergon Energy. She is the Executive Assistant to the CEO but her role is complex and varied and in a growing company like Linc, very challenging but she makes it look easy! Again, we are fortunate to have Janelle on our team and you may come into contact with her as she does a lot of our investor relations work.
- In summary, we've only been an ASX listed company for 6 months but I can tell you it feels a lot more than that at times! Linc Energy has progressed very well – I am impatient to create and complete these outcomes we've set ourselves but I know it's getting done and everyone is working well together to accomplish this. We are only about 2 or 3 people away from finalising the members of the Linc team which will essentially drive the company to its next stage.



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The one point I'd like to address here is I am obviously aware our share price has not reflected the potential of the company or its progress. The reason for this is essentially lack of "understanding" and "education" as well as a need for a greater profile particularly with our overseas investors.

As the Linc team grows and gains more traction upon these core issues I have raised today, two things will start to happen. The first of those – we start to tick all of the boxes which we said we would – as we do this, we are lessening the perceived risk of the company and cementing more definition in the company's business plan. Each issue ticked off lessens the risk and adds another brick wall to the company's foundation. The more we narrow the perceived risk gap, the more people will want to jump across it and invest in the company until there is virtually no gap at all and a significant amount of people will want to invest. So getting things done so we narrow the gap is one of the first key issues. The second is getting "on the road" – particularly overseas and completing "Roadshows" and "Education Meetings" for the analysts and investors that could invest in Linc.

The other main issue which has been putting downward pressure on our share price is a number of older shareholders that have sold or are selling out. I believe most of these have now gone and with a large roadshow coming up, I'm confident we can tidy up the rest of these sellers and start to gain some positive traction on the share price.

Wayne O'Brien, our Financial Controller will provide you with a financial overview later in the agenda.

In conclusion, your Board is working very well together and you have an extraordinary team assembled at Linc Energy that is clearly focused on their immediate goals.

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 Australia as a whole.

Thank you for your time this afternoon. I'll take questions at the end of the presentations.

Good Afternoon.