

SECOND QUARTER ACTIVITIES REPORT

1 October 2006 to 31 December 2006

EXPLORATION ACTIVITIES

During the quarter Linc Energy expanded its drilling program to prove the extent of the coal resource beyond its initial expectations with approximately 30 open holes and 10 diamond core holes so far drilled. Drilling results expected to be available by end of February.

The drilling depths have been between 140 metres and 200 metres, intercepting the Macalister Seam.

The refurbishment of drill rig Linc Energy purchased is almost complete with the drill rig being fully operational by the end of January. Linc's drill rig will complete the expanded drilling program at EPC 635 near Chinchilla and will start drilling on its other tenements in particular, EPC 635, EPC 704, EPC 897 and EPC 898.

At this point in time, there is no interim drilling results to release however the Company expects to release these results in the coming weeks as they become available. (See list of Company's current coal tenement holdings below).

Tenure	Status	Sub-Status	Granted	Expires	Principal Holder	Linc Interest	Sub-Blocks	Basin
MDL 309	GRAN	-	25 Nov 99	30 Nov 08	Linc Energy Ltd	100%	154Ha	Surat
EPC 635	GRAN	-	24 Dec 98	24 Dec 06	Linc Energy Ltd	100%	32	Surat
EPC 704	GRAN	-	17 Sep 01	16 Sep 07	Linc Energy Ltd	100%	111	Surat
EPC 897	GRAN	-	5 Aug 05	4 Aug 10	Linc Energy Ltd	100%	54	Surat
EPC 898	GRAN	-	5 Aug 05	4 Aug 10	Linc Energy Ltd	100%	85	Surat
EPC 899	GRAN	-	5 Aug 05	4 Aug 10	Linc Energy Ltd	100%	87	Surat
EPC 938	GRAN	-	15 May 06	14 May 11	Linc Energy Ltd	100%	80	Surat
EPC 902	GRAN	-	3 Dec 04	2 Dec 09	Linc Energy Ltd	100%	111	Surat
EPC 854	GRAN	-	30 Aug 04	29 Aug 07	Linc Energy Ltd	100%	82	Galilee
MDL 361	APPL	-	-	-	Linc Energy Ltd	100%	2712Ha	Pentland
EPC 908	GRAN	-	9 Feb 05	8 Feb 10	Linc Energy Ltd	100%	300	Biloela
EPC 909	GRAN	-	28 Apr 05	27 Apr 10	Linc Energy Ltd	100%	289	Biloela
EPC 910	GRAN	-	9 Feb 05	8 Feb 10	Linc Energy Ltd	100%	160	Ipswich
EPC 980	GRAN	-	4 Nov 05	3 Nov 10	Linc Energy Ltd	100%	59	Bowen
EPC 526	GRAN	RENL	27 Apr 93	26 Apr 06	Linc Energy Ltd	99%	25	Pentland
EPC 1046	GRAN	-	16 Nov 06	15 Nov 11	Linc Energy Ltd	100%	32	Surat

SECOND QUARTER ACTIVITIES REPORT (CONT.)

1 October 2006 to 31 December 2006

CORPORATE ACTIVITIES

Linc Energy Ltd recently announced a major development in its underground coal gasification project (UCG) in Queensland, following the signing of two strategic alliances with leading Russian institutions.

Linc Energy believes the Russian involvement will greatly enhance its UCG (Underground Coal Gasification) knowledge and technology base whilst encouraging significant international interest in its UCG and Gas to Liquids (GTL) processes.

With the signing of two co-operation agreements with the Skochinsky Institute of Mining in Moscow (Skochinsky Institute) and its parent organisation, the Scientific-Technical Mining Association (STMA) the Skochinsky Institute will provide consultation and engineering services to Linc Energy, including relevant UCG technology transfer and training, teaming up with senior Linc Energy engineers in the development of the UCG process at Chinchilla to produce quality syngas from Linc Energy's abundant coal reserves.

The 77-year old mining research and development organization, Skochinsky, has pioneered UCG (Underground Coal Gasification) in the development and research of the process – which will be used by Linc Energy at its Chinchilla plant, expected to be constructed by mid-2007.

FINANCE ACTIVITIES

From a financial perspective, the company ended the quarter with over \$13 million in cash reserves. The company has invested over \$1million dollars in the last quarter in exploration and development of its UCG and GTL demonstration plant and over \$500,000 on the acquisition and installation of a 2.5KVA power line and sub-station to supply make available power for the UCG/GTL Demonstration plant.

In addition to the \$200,000 for the drill rig we have drawn down an additional \$62,000 from our \$800,000 loan facility this quarter for the purchase of a new site vehicle. This leaves us \$538,000 available to draw down on as we require further plant and equipment.

In addition to the existing loan facilities we have established a separate \$2million facility for providing Letters of Credit and Bank Guarantees to assist in the purchase of plant and equipment from both in Australia and overseas. We have used this facility to purchase 3 new compressors for the UCG site. These compressors were ordered in early December and are due for delivery in mid February.

For further information about the company's activities and project plans, refer to www.lincenergy.com.au or the Managing Director, Peter Bond on

07 3229 0800.

The Skochinsky Institute recently signed a contract with India's ONGC (a Fortune 500 company) to develop UCG gasfields in India, with the first stage of this agreement being recently completed.

Linc Energy's UCG team has been bolstered by the appointment of additional UCG staff with Mr Oleg Krzyzanowski being appointed as General Manager of UCG Operations.

With Linc Energy confirming the Skochinsky Institute as its preferred UCG technology supplier and UCG consultant, Linc terminated its arrangements and relationship with Ergo Exergy Technologies (Inc) of Canada.

The Board of Linc Energy Ltd also announced the resignation of Mr John Harkins as a Director. Mr Harkin's decision was brought about by his wish to pursue other business opportunities and that the pursuit of these opportunities will limit the time he has available to serve on the company's board. Mr Harkin's has strong confidence in the board and Linc Energy's future.

Linc Energy is also on track to deliver its GTL demonstration plant as planned. MegChem of South Africa, Linc Energy's prime GTL contractor, is in the final stages of providing to Linc Energy the final engineering design and equipment selection. This should be completed within the next few weeks and then the procurement process will commence.