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# ASX ANNOUNCEMENT

22 February 2007

## LINC ENERGY RELEASES "INTERIM DRILLING RESULTS" TO 31 DECEMBER 2006

Linc Energy is pleased to announce their "Interim Drilling Results" up until the 31st December 2006.

The attached interim drilling report by Triassic Geological Services Pty Ltd is a significant step towards Linc Energy achieving the Board's "target" of proving approximately 300 million tonnes of coal resource at Chinchilla. This report indicates that Linc Energy is progressing extremely well towards that goal.

The Board is very pleased with these early indications as 300 million tonnes was originally chosen as the company's initial drilling target, as that coal resource size would potentially supply approximately 60 years of coal to Linc Energy's proposed Underground Coal Gasification (UCG) project and associated 20,000 barrels per day gas to liquids (GTL) facility.

Linc Energy will recommence its drill program in approximately ten days using its own drill crew and rig. As a result of this encouraging data, the drill program will now be expanded, stepping out at approximately 1km settings to the north, north-west and west of MDL305.

One of the drivers of the drill program is to detail and prove the Chinchilla coal resource in size and scope with Linc Energy intending to in-fill drill the Chinchilla coal deposit so as to meet relevant JORC Measured Resource requirements over the coming six months.

It is worth noting that Linc Energy holds EPC's (835) above and adjoining (to the north and north-west) EPC635 allowing some flexibility and expansion in its drilling program.

As is mentioned in the attached geological report (Attachment A) by Linc Energy's Geological Consultants, Linc Energy is awaiting the drilling of approximately ten more core holes in order to finalise the JORC measurement of the coal already identified.

However as noted in the report, there have already been over eighty (80) exploration drill holes in that Chinchilla resource, completing some 12,198 metres of drilling in total. This number of drill holes will, in all probability, be doubled as Linc Energy moves forward in its continued and expanded drilling program not only in its quest to confirm its existing resources to JORC standards, but additionally so as to expand the Chinchilla resource beyond this original 300 million tonne target.

If you require further information, please contact Peter Bond on (07) 3229 0800.



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# ASX ANNOUNCEMENT (CONT.)

31st December 2006 Scope

## REPORT ON EXPLORATION RESULTS, MDL309 AND EPC 635 QUEENSLAND EFFECTIVE DATE

Attachment A

### SCOPE

This report outlines the results of exploration in Linc Energy's Chinchilla Project, which is located approximately 25 kilometres south East of Chinchilla in SE Queensland. The coal deposit of interest is located within tenements MDL309 and EPC 635. Linc has been in the process of exploring for coal in this area since 1999. During the first two years of work, exploration was focused in a small area within MDL309, with the aim of outlining a small coal resource to base a demonstration UCG plant, which was successfully operated until 2002.

Prior to this work, other companies explored the area, and completed some drilling in the vicinity of the area of interest, during the late seventies and eighties. The data from this drilling however has suffered from unsatisfactory archiving, and does not meet current JORC requirements to be included in the current evaluation. For this reason, the report discusses only the recent drilling completed by Linc. The "old data" has however been used as an exploration tool in guiding the recent drilling program.

### DRILLING

To date Linc has completed a total of 80 exploration drillholes in the area, not including production wells for the UCG demonstration plant.

Metres completed totals 12198. Drilling in the current exploration program commenced in August 2006, and during the program, a total of 39 drillholes have been completed, including 10 drillholes which have core sampled the coal seams of interest. All drillholes have been drilled using mud circulation to obviate potential safety concerns with gas flows. The drilling program was suspended in mid December, and will resume in the near future when Linc has completed commissioning its company owned drill rig. An estimated further 16 cored drillholes are planned, to complete the outline of a potential coal resource. The current drilling layout provides for an average spacing of data points for non-cored and cored holes of 1 kilometre. The final resultant data set should be suitable for estimation of Indicated Resources.

# ASX ANNOUNCEMENT (CONT.)

31st December 2006 Scope

## REPORT ON EXPLORATION RESULTS, MDL309 AND EPC 635 QUEENSLAND EFFECTIVE DATE

### DISCUSSION OF RESULTS

Drilling to date has made intersections of coal in the majority of holes completed. The exploration program has been conducted with non-cored holes on a "step-out" basis where additional holes have been drilled past confirmed results which show that coal of suitable thickness and quality occurs. Three coal seams are recognized as having economic potential for exploitation by UCG extraction, and have been named A, B and C in order of increasing age. A table of results detailing depth, thickness and drillhole location data appends the report.

Criteria adopted for "coal seams suitable for UCG exploitation" are as follows:

- Thickness of individual coal seam exceeds 3 metres

Thickness of individual coal seam greater than 1.0 metre IF another coal seam with thickness exceeding 3 metres, is separated from the subject seam by less than 0.5 metres of rock parting.

- Maximum parting thickness between workable seams less than 1.0 metre
- Aggregate ash content is less than 40 per cent
- Minimum depth to top coal seam 100 metres.
- No maximum depth

The attached plan shows that "suitable coal" occurs over a large area, some 19 sq km at the limit of drilling. The map shows that there is potential for expansion of this area around the perimeter of the known coal occurrence in all but a small area in the south east. Aggregate thickness of the "suitable" seams appears to be

increasing northward, which was unexpected prior to drilling, and the coal occurrence may possibly extend into the neighbouring EPC held by Linc to the north. 76 drillholes contain one suitable coal seam or more. The average total thickness of "suitable coal" in these drillholes is computed at 8.39 metres. This is an arithmetic average which is probably biased high due to the inclusion of a number of closer spaced drillholes in the vicinity of the demonstration plant. If these holes are excluded, and only the recent drillholes are used, the average thickness is computed arithmetically at 7.1 metres.

The total area of suitable coal occurrence has been expanded significantly by the recent drilling program from and now amounts to 19 sq km. It is anticipated that this area will be expanded by further drilling as indicated above.

### STATEMENT

Technical information contained in this report was prepared by Mr Garry Leblang, Senior Consultant Geologist Triassic Geological Services Pty Ltd. Mr Leblang is a Fellow of the Australasian Institute of Mining and Metallurgy, and a Member of the Geological Society of Australia, and has over 36 years of experience in the exploration and evaluation of coal deposits in Australia and abroad, qualifying him as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral - Resources and Ore Reserves'.

Mr Leblang consents to the inclusion in this report of the report he has submitted in the form and context in which it appears.