

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Linc Energy Ltd

ABN

60 076 157 045

Quarter ended ("current quarter")

30 September 2008

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	126	126
1.2 Payments for (a) exploration and evaluation	(2,035)	(2,035)
(b) development	(13,769)	(13,769)
(c) production	-	-
(d) administration	(1,640)	(1,640)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	681	681
1.5 Interest and other costs of finance paid	(97)	(97)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(16,734)</b>	<b>(16,734)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	(16,244)	(16,244)
(c) other fixed assets	(971)	(971)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	2	2
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(17,213)</b>	<b>(17,213)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(33,947)</b>	<b>(33,947)</b>

+ See chapter 19 for defined terms.

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1.13	Total operating and investing cash flows (brought forward)	(33,947)	(33,947)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	100,293	100,293
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(89)	(89)
1.18	Dividends paid	-	-
1.19	Other (Costs of Share issue)	(3,319)	(3,319)
<b>Net financing cash flows</b>		96,885	96,885
<b>Net increase (decrease) in cash held</b>		62,938	62,938
1.20	Cash at beginning of quarter/year to date	3,299	3,299
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	66,237	66,237

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	86
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Executive Directors Salary	63
	Non Executive Directors Fees	23

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	5,050	4,215
3.2 Credit standby arrangements	1,000	793

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,600
4.2 Development	3,000
<b>Total</b>	<b>6,600</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	319	(175)
5.2 Deposits at call	65,918	3,474
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>66,237</b>	<b>3,299</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EPC938	REL 16 sub-blocks	100	100
	EPC910	REL 26 sub-blocks	100	100
6.2 Interests in mining tenements acquired or increased	EPC1226	ACQ 58 sub-blocks	100	100
	EPC1248	ACQ 112 sub-blocks	100	100

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**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	397,743,504	397,743,504		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,173,675	1,173,675		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	38,006,333	Nil		
	11,851,333 @ \$0.25 Options issued under the Employee Option Plan		<i>Exercise price \$0.25</i>	<i>Expiry date</i> One third on 31.12.2009  One third on 31.12.2010  One third on 31.12.2011

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4,390,000 @ \$0.60 Options issued under the Employee Option Plan		<i>Exercise price</i> \$0.60	<i>Expiry date</i> One third on 31.12.2010  One third on 31.12.2011  One third on 31.12.2012
250,000 @ \$0.66 Options issued to SGI.		<i>Exercise price</i> \$0.66	<i>Expiry date</i> 30.06.2010
3,530,000 @ \$0.70 Options issued under the Employee Option Plan		<i>Exercise price</i> \$0.70	<i>Expiry date</i> One third on 31.12.2010  One third on 31.12.2011  One third on 31.12.2012 (less 409,999)  Last third (409,999) on 31.12.2013
475,000 @ \$0.75 Options issued under the Employee Option Plan		<i>Exercise price</i> \$0.75	<i>Expiry date</i> One third on 31.12.2010  One third on 31.12.2011  One third on 31.12.2012
14,055,000 @ \$0.76 Options issued under the Employee Option Plan		<i>Exercise price</i> \$0.76	<i>Expiry date</i> One third on 31.12.2010  One third on 31.12.2011  One third on 31.12.2012

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		1,000,000 @ \$0.76 Options issued to BBY.		<i>Exercise price</i> \$0.76	
		745,000 @ \$0.79 Options issued under the Employee Option Plan		<i>Exercise price</i> \$0.79	<i>Expiry date</i> One third on 31.12.2011  One third on 31.12.2012  One third on 31.12.2013
		1,710,000 @ \$0.97 Options issued under the Employee Option Plan		<i>Exercise price</i> \$0.97	<i>Expiry date</i> One third on 31.12.2011  One third on 31.12.2012  One third on 31.12.2013
7.8	Issued during quarter	250,000	Nil		
7.9	Exercised during quarter	1,170,000	Nil		
7.10	Expired during quarter	0	Nil		
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company Secretary)

Date: 31 October 2008

Print name: Craig Ricato

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+ See chapter 19 for defined terms.

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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## **FIRST QUARTER ACTIVITIES REPORT**

*1 July 2008 to 30 September 2008*

### **Exploration Activities**

This activity statement provides a 1<sup>st</sup> Quarter update for ASX investors of key Exploration initiatives which have been the focus of Linc Energy.

### **Details**

#### **Summary**

The first quarter to September was outstanding for Drilling & Exploration (D&E) in every facet of operations. The drilling crews in Chinchilla, Pentland, South Australia and Emerald broke the company record set in last Quarter 2007-8 with a new benchmark of 17593 metres for the Quarter, an outstanding result.

These drilling results consisted of 31 chip and 42 cored holes and were completed in a safe and professional manner by all contractors and were incident free. The results have and will continue to contribute significantly to Linc Energy's JORC compliant resources this year.

#### **Chinchilla Update**

Drilling continued with Mitchells and Coghlan Drilling for the entire Quarter. A total of 9866.4 metres were drilled comprising 18 chip and 21 cored holes.

The priority for Quarter was to have the entire MLA area under JORC compliant resource. A JORC compliant statement to ASX with a significant upgrading of Measured, Indicated and Inferred resources from the current announced 401 million tonnes to 600 million tonnes was announced to market 9<sup>th</sup> September.

The main thrust of exploration in Chinchilla has achieved its primary goal to provide a JORC resource over the MLA area, upgrade existing tonnes and provide resource coverage over the bulk of EPC635, 899, 1046 and test coal resources along the Dalby Kogan Rd along EPC898.

#### **Dalby Start Up**

The timeline set by DME to obtain a JORC compliant resource over MDLa371 is June 2009. The exploration priority will now be to relocate and commence planning and operations into MDL south of the township.



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### Emerald Update

Watsons Drilling continued drilling operations with the mobilisation of a second drill rig to site in September. This Quarter Linc Energy has completed 26 exploration holes comprising 10 rotary holes and 16 cored holes for a total of 6346.3 metres.

On 5<sup>th</sup> September Linc Energy Announced a Heads of Agreement with Xinwen for the Sale of EPC980 and 1226 for 1.5 billion dollars. In support of this agreement and associated due diligence, all data was obtained from Emerald base and compiled into "Report on Preliminary Exploration Results EPC980 "Teresa". The report concluded that based on information from 17 drill holes 8 cored and 9 rotary holes that six key target seams exist of commercial interest over a 12 kilometre strike and 4.5km width. A preliminary wireframe model completed in house has the current resource at 487,168,689 tonnes of which 152,800,000 has metallurgical potential as coking export product.

Preliminary results are very encouraging with an initial indication towards a significant minable resource being identified. Further drilling, coal quality sampling and resource definition modelling will further define the quantity and quality of the resource.



Coal Core from Emerald EPC980



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### SAPEX JV Arckaringa Basin Update

Tom Browne Drilling Services commenced drilling on 25<sup>th</sup> September replacing Underdale Drilling. Drew Breen is site project geologist reports they are organised and drilling well with 280m rotary hole completed in two days. Every effort will be made to get this project back on track. The completion schedule is for November with JORC statement by end of year.

### Pentland

The Linc rig was mobilised to MDL361, currently under application, Pentland on 5<sup>th</sup> August and commenced drilling 11<sup>th</sup> August following site clearances by the Gudjal People, landowner approval and site preparation. A total of five cored holes and 2 rotary holes have been completed totalling approximately 1100m.

### JORC Resource Estimate Update

Xenith Consulting Pty Ltd have upgraded Chinchilla from 401 million tonnes to 600 million tonnes. The final four holes are due for completion in Chinchilla first week October where a final upgrade for 2008 will complete project.

A Pentland JORC announcement is due first week in October. Preliminary estimates are around 300 million tonnes of export thermal coal.

### Safety

It is pleasing to announce that all drilling activities this reporting period have been incident free with no D&E lost time injuries (LTI) reported this Quarter.

### Tenement Management

Linc Energy Limited currently holds 14 granted (with a further 12 under application) tenements under Exploration Permits for Coal (EPC's), 3 Mineral Development Licence (MDL's) under application, 1 MDL granted and 3 Mining Lease Applications. The EPC's and those under application combine to contain a total of 3052 sub-blocks covering an area of approximately 10,377 square kilometres, (Table 1).

Reports submitted to the Department Mines and Energy during 1<sup>st</sup> Quarter:

- Annual Report and Expenditure Statement EPC938
- Annual Report and Expenditure Statement EPC897
- Annual Report and Expenditure Statement EPC898
- Annual Report and Expenditure Statement EPC899
- JORC statement to support MDL 361 application



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#### Tenements Granted

- EPC1226 Teresa (Emerald)

#### New Applications

- Moratorium Blocks on EPC909 & 938
- EPC1536 (Cloncurry Hughenden)
- EPC1537 (Cloncurry Hughenden)
- EPC1525
- EPC1527
- EPC1549 (Saxby)
- EPC1550 (Lily Pond)

Table 1 Linc Energy Tenements as 1<sup>st</sup> Quarter 2008-9

Lease	Location	Sub-blocks	Area (km <sup>2</sup> )
Chinchilla EPC 635/MDL309/MLA (3)	15km S of Chinchilla - Surat Basin	32	109
Tipton EPC 704/MDL371	30km SW of Dalby - Surat Basin	111	377
Tipton 2 EPC 902	30km S of Dalby - Surat Basin	71	241
Tipton 3 EPC 938	60km SW of Dalby - Surat Basin	64	218
Wilkie 1 EPC 897	40km SE of Chinchilla - Surat Basin	50	170
Wilkie 2 EPC 898	30km SE of Chinchilla - Surat Basin	78	265
Wilkie 3 EPC 899	20km NW of Dalby - Surat Basin	74	252
Teresa EPC 980	20km NW of Emerald - SW Bowen Basin	47	160
Teresa EPC 1226	20km NW of Emerald - SW Bowen Basin	58	197
Wowam EPC 908	40km N of Biloela - Callide Basin	192	653
Jambin EPC 909	25km N of Biloela - Callide Basin	185	629
Rathdowney EPC 910	40km S of Ipswich - Moreton Basin	102	347
Chinchilla West EPC1046	20km S of Chinchilla - Surat Basin	32	109
Galilee EPC 854/MDL372	120km NW of Clermont - Galilee Basin	82	279
Biloela EPC 1248	40km N of Biloela - Callide Basin	112	381
Pentland EPC 526/MDL 361	220km SW of Townsville - Galilee Basin	12	41
Galilee North EPC 1228 App	120km NW of Clermont - Galilee Basin	299	1017
Galilee South EPC 1227 App	120km NW of Clermont - Galilee Basin	148	503



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Chinchilla EPC 1247 App	15km S of Chinchilla - Surat Basin	8	27
Wowan West EPC 1323	10km NW of Wowan Callide Basin	48	163
Teresa North EPC 1267 App	25km NW of Alpha	10	34
Dingo EPC 1536 App	25km NW of Biloela – Callide Basin	46	156
Dunmore EPC 1537 App	60km SW of Dalby – Surat Basin	36	122
Cloncurry North EPC 1525 App	120km NW of Hughenden – Eromanga Basin	150	510
Cloncurry South EPC 1526 App	85km NW of Hughenden – Eromanga Basin	243	826
Cloncurry Central EPC 1527 App	100km NW of Hughenden – Eromanga Basin	162	551
Saxby EPC 1549 App	250km NE of Cloncurry – Eromanga Basin	300	1020
Lily Pond EPC 1550 App	130km NE of Cloncurry – Eromanga Basin	300	1020
<b>TOTAL</b>		<b>3052</b>	<b>10,377</b>

: 1 sub-block = approximately 3.4 square kilometers

### **Exploration & Drilling Goal next Quarter**

- Target Zero workplace incidents
- Promote safe working environment for all staff and contractors
- Continue with supplying data for due diligence HOA Xinwen for Emerald sale
- JORC compliant resource statement upgrade for Dalby
- Continue to explore Arkaringa Basin in SA
- Commence Galilee MDLa372 project
- Commence Biloela exploration planning



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## **Finance Activities**

The company ended the quarter with \$66.2M in cash reserves. In early July 2008, the company received \$100.0M following a share placement of 27 million fully paid ordinary shares to institutional and sophisticated investors.

During the quarter the company spent \$2.0M on exploration activities and \$13.8M on the continued development of its UCG and GTL demonstration plant at Chinchilla. In addition, \$16.2M of cash funds were utilised in the continued acquisition of the company's interest in SAPEX Limited.

Total loan facilities amount to \$5.0M and consist of a commercial advance facility \$1.8M, equipment finance loan facility \$3.0M and a credit card facility \$0.2M.

In addition to the existing loan facilities a separate \$1.0M multi option facility is in place for providing Letters of Credit and Bank Guarantees to assist in the purchase of plant and equipment from Australia and overseas.

A\$10.0M Equity Line Of Credit is in place which enables draw downs of \$0.4M per month if required. This is currently unused.

### **Information for Media:**

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