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LINC ENERGY ANNOUNCES M.O.U WITH SAPEX LIMITED

Brisbane-based clean coal technology leader and energy company, Linc Energy Ltd (ASX: LNC) has today announced that it has signed an important Memorandum of Understanding (MOU) with SAPEX Limited (ASX: SXP).

SAPEX Limited is an Oil and Exploration company based in South Australia. SAPEX Limited holds seven Petroleum Exploration Leases (PELs) and two mining Exploration Leases (EL 3325 and EL 3326) that together cover almost the entire prospective area of the Arkaringa Basin in Central South Australia. SAPEX Limited also holds PEL 120 near Adelaide which has significant deposits potentially suitable for Underground Coal Gasification (UCG) and Coal Seam Gas (CSG).

The MOU is a coup for Linc Energy, which plans to turn stranded coal deposits in locations around the world, starting in Chinchilla (Queensland) and South Australia into clean power and ultra clean diesel and jet fuel by bringing together two proven production processes of Underground Coal Gasification (UCG) clean coal technology and Coal to Liquids (CTL).

The purpose of the MOU is for Linc Energy Ltd to identify suitable locations for within the SAPEX Limited licences to establish Underground Coal Gasification (UCG) fields for the production of Low Greenhouse Gas emissions Power, and Environmentally friendly Coal to Liquids (CTL) Diesel. Once the suitable locations have been identified by Linc Energy Ltd it is the intention of both parties to enter into a formal Joint Venture Agreement to commercialise these resources.

"We are very excited about the opportunities of working with SAPEX Limited who hold such large deposits in South Australia. South Australia is enjoying a major mining boom with significant expansion planned for mining projects in the mid north of South Australia. The need for cheap clean power and ultra clean diesel in these areas is well known and we look forward to being able supply both cheap power and diesel to the region. We at Linc Energy see this as a significant step forward in our strategy of using UCG to provide cost effective power and clean diesel within Australia." Linc Energy's Managing Director, Mr Peter Bond, said today.

Linc Energy is completing its Chinchilla (Queensland) demonstration facility in the third quarter of 2007 where Linc Energy will be using its UCG gas in a world first demonstration, to convert UCG gas into cost effective ultra-clean Diesel.

"The Chinchilla UCG to CTL demonstration plant is one of the key drivers that will take Linc Energy to the next level of world acceptance of becoming a major energy supplier, and is already one of the reasons why companies such as Shiv-Vani Oil and Gas, Marubeni, and now SAPEX are taking notice and wanting to work with Linc Energy." Mr Bond said.

This MOU follows recent announcements of the Shiv-Vani MOU and Marubeni MOU and that the Queensland Government has declared Linc Energy's Chinchilla clean coal project a "Significant Project".

A handwritten signature in black ink, appearing to read "Karl Schlobohm", with a long horizontal flourish extending to the right.

Karl Schlobohm
Company Secretary

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