OIL & GAS DIVISION

ASX Code: LNC
OTCQX Code: LNCGY

16 May 2013

OIL AND GAS DIVISION RESULTS FOR THIRD QUARTER 2013

- **For the three months ended 31 March 2013, daily sales averaged 5,141 gross (3,793 net) BOEPD (>99% oil).**
- **Operating margin increased to $81.16 per BOE from $52.83 per BOE in the previous Quarter (calculated as revenue, including the effect of hedges, less operating expenses and general and administrative expenses).**
- **The average sales price for the Quarter was $112.33 per BOE.**
- **Quarterly adjusted EBITDAX was $27.0 million.**
- **Mobilisation for Phase 2 of Umiat Drilling Program to commence late 2013.**

Linc Energy Ltd (ASX: LNC) (OTCQX: LNCGY) ("the Company") is pleased to announce its Third Quarter 2013 financial results for its wholly-owned subsidiary Linc Energy Resources, Inc. ("LER").

LER is the parent entity of the Company's Oil and Gas Group headquartered in Houston, Texas. As previously announced, on 12 October 2012, the Company, through its wholly-owned subsidiaries, issued $US265 million of senior secured notes ("Notes") bearing interest at 12.5% per annum due 31 October 2017. The Company is required under the terms of these Notes to report periodically on production and financial results of LER. All results quoted are based in US dollars.

Oil and Gas Revenues

For the three months ended 31 March 2013, LER's total revenues were $38.3 million, comprised of $38.3 million of oil revenues and $400 of gas revenues. During the Quarter, LER sold 341,312 barrels of oil and 139 Mcf of natural gas net to its revenue interest, with daily sales averaging 5,141 gross (3,793 net) BOEPD for the period (99% oil). The average sales price was $112.34 per Bbl of oil and $2.84 per Mcf of natural gas, amounting to an average sales price for the Quarter of $112.33 per BOE or $110.14 per BOE including the effect of hedges.

Operating Expenses

For the three months ended 31 March 2013, cash operating expenses were $7.5 million, including, lease operating expense of $4.6 million ($13.54 per BOE), re-engineering and workover expense of $817,000 ($2.40 per BOE), production taxes of $1.8 million ($5.37 per BOE or 4.8% of revenue), and ad valorem taxes of $283,000 ($0.83 per BOE or 0.7% of revenue). General and administrative expenses were $2.3 million ($6.89 per BOE).

Recent Developments

During the Quarter the Company focused on maintaining its cash flow by drilling in its historically productive areas of Barbers Hill and Hoskins Mound, and driving down operating costs (by

~$19.00 per BOE). Subsequently and as a result of interpretation of the newly processed 3D seismic, the company has augmented this program with a balanced risk/reward portfolio of prospects in Cedar Point, Port Neches, and Black Bayou. The Company is currently mobilizing a barge-supported drilling rig into the shallow waters of Trinity Bay to drill the first of five Cedar Point prospects.

Additionally, a significant subsalt opportunity has been identified and is anticipated to be drilled later this year.

During the third Quarter of 2013, LER drilled nine wells and completed six of them. Seven of the nine newly drilled wells were in our Barbers Hill field and the other two were in our Hoskins Mound field. Two of the wells drilled in Barbers Hill did not exit the salt and have been temporarily abandoned for future sidetrack opportunities. A third well in Barbers Hill was unsuccessful and was plugged and abandoned. LER also successfully recompleted seven existing wells during the Quarter. Four of these wells were in Barbers Hill field.

In Alaska, LER completed mobilization of all equipment and support modules into Umiat, drilled and completed the Umiat #18 vertical well and acquired 300 feet of conventional core through the Lower Grandstand Formation. This core data will be used to update geologic and reservoir models.

LER also completed a full suite of down-hole electrical logs in the Umiat #18 before drilling ahead into the upper Torok Formation to test sands for natural gas. The sands appeared tight and gas content was not significant.

The drilling rig was stacked on the DSP-1 disposal well location for the summer. The DSP-1 well will be commenced in early November 2013 followed by the Umiat #23H horizontal well once the ice pad and ice roads are complete.

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LINC ENERGY RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited, $ in thousands)
MARCH 31, 2013

ASSETS		
Current assets:		
Cash	$	13,231
Restricted cash		3,569
Accounts receivable		24,137
Inventory		1,451
Prepaid expenses and other		1,226
Total current assets		43,614
Property and equipment:		
Oil and gas properties, at cost (successful efforts method):		
Proved properties		366,457
Unproved properties		127,686
Production facilities		21,450
Office and other equipment		4,354
		519,947
Less accumulated depreciation, depletion and amortization		(38,797)
Net property and equipment		481,150
Deferred financing costs		11,641
Deferred tax asset		2,744
Other non-current assets		2,758
Total Assets	$	541,907
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$	13,740
Asset retirement obligation – current portion		3,512
Accrued expenses		3,174
Accrued capital expenses		30,947
Interest payable		15,458
Other payables		17,614
Current taxes payable		168
Total current liabilities		84,613
Bonds payable, net of discount		256,108
Asset retirement obligation – non-current portion		20,097
Due to affiliates		3,071
Derivative liabilities		1,867
Other long-term liabilities		1,491
Equity:		
Paid in capital		157,245
Retained earnings		7,505

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Total Linc Energy Oil and Gas Entities equity	164,750
Noncontrolling interest	9,910
Total equity	174,660
	$ 541,907

LINC ENERGY RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited, $ in thousands)
MARCH 31, 2013

	Three Months Ended March 31, 2013	Nine Months Ended March 31, 2013
Revenues:		
Oil and natural gas sales		
Oil	$ 38,342	$ 89,334
Natural gas	-	41
Total revenue	38,342	89,375
Operating expenses:		
Production:		
Lease operating expense	4,616	11,905
Re-engineering and workovers	817	4,277
Production taxes	1,830	4,358
Ad valorem taxes	283	847
General and administrative expense	2,348	10,297
Depletion, depreciation and amortization	8,774	26,324
Accretion expense	263	778
Dry hole expense	1,150	7,015
Total operating expenses	20,081	65,801
Other (income) expense:		
Interest expense, net	8,625	17,503
Amortization of debt issuance costs	656	3,118
Gain on purchase of Gasrock NPI	-	(646)
Other, net	-	4
Net loss on derivative contracts	1,822	7,224
Total other expenses	11,103	27,203
Income/(loss) before income taxes	7,158	(3,629)
Income tax expense (benefit)	(1,267)	(4,656)
Net income/(loss)	8,425	1,027
Less: Net loss attributable to noncontrolling interest	-	(10)
Net income/(loss) attributable to Linc Energy Resources, Inc.	$ 8,425	$ 1,037

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LINC ENERGY RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited, $ in thousands)
FOR THE NINE MONTHS ENDED MARCH 31, 2013

Cash flows from operating activities:		
Net loss	$	1,027
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization and accretion		27,102
Dry hole expense		7,015
Unrealized loss on hedges		5,545
Changes in working capital:		
Increase in accounts receivable		(13,903)
Decrease in prepaid assets and other		(10,365)
Decrease in due to/from affiliates (net)		6,614
Decrease in accounts payable and accrued expense		37,490
Decrease in deferred tax liability		(4,656)
Net cash provided by operating activities		55,869
Cash flows from investing activities:		
Additions to property and equipment		(4,211)
Change in restricted cash		(1,014)
Payments for evaluation and development		(100,480)
Payments for oil and gas assets		(3,060)
Net cash used in investing activities		(108,765)
Cash flows from financing activities:		
Repayment of debt		(199,509)
Repayment of finance lease liabilities		(92)
Capital contributed by parent		5,000
Proceeds from bond issuance		255,465
Net cash provided by financing activities		60,864
Net increase in cash and cash equivalents		7,968
Cash and cash equivalents at beginning of period		5,263
Cash and cash equivalents at end of period	$	13,231

Supplementary information:		
Interest paid	$	1,405
Income taxes paid	$	-

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How We Evaluate our Operations:

We use a variety of financial and operational measures to assess our overall performance. Among those measures are (1) volumes of oil and natural gas sold, (2) oil and natural gas prices realized, (3) per unit operating and administrative costs, and (4) Adjusted EBITDAX (as defined below).

The following tables contain certain financial and operational data for the three months ended March 31, 2013:

Average daily sales (net):

Oil (BOPD)	3,792
Natural Gas (MCFPD)	2
Oil Equivalents (BOEPD)	3,793

Average sales price[1]:

Oil ($/BBL)	$112.34
Natural Gas ($/MCF)	$2.84
Oil Equivalents ($/BOE)	$112.33

Costs and expenses:

Lease operating expense($/BOE)	$13.54
Re-engineering and workover expense ($/BOE)	$2.40
Production taxes ($/BOE)	$5.37
Ad valorem taxes ($/BOE)	$0.83
General and administrative expense ($/BOE)	$6.89
Total ($/BOE)	**$29.02**

Reconciliation of Net Income to Adjusted EBITDAX[2] *$ in thousands*

Net income	8,425
Income taxes (benefit)	(1,267)
Interest expense	8,625
Dry hole expense	1,150
Unrealized gain/loss on derivative contracts	1,075
Accretion expense	263
Depreciation, depletion, and amortization	8,774
Adjusted EBITDAX	27,046

(1) Average realized prices presented do not give effect to hedging.

(2) Adjusted EBITDAX is defined as net income before income tax, interest expense, unrealized gain/loss on derivative instruments, accretion, depreciation, depletion, amortization, impairment, dry hole costs and gain/loss on sale of an asset. Adjusted EBITDAX is not a measure of net income or cash flows as determined by GAAP, and should not be considered as an alternative to net income, operating income, or any other performance measured derived in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of our liquidity. We present Adjusted EBITDAX because it is frequently used by securities analysts, investors, and other interested parties in the evaluation of high-yield issuers, many of whom present Adjusted EBITDAX when reporting their results. Adjusted EBITDAX has limitations as an analytic tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results or cash flows as reported under GAAP. Because of these limitations, Adjusted EBITDAX should not be considered as measures of discretionary cash available to us to invest in the growth of our business. Our presentation of Adjusted EBITDAX should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

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Company Profile

Linc Energy is focused on both conventional and unconventional oil and gas production. The Company owns a diverse and world-class commodity portfolio that includes oil, gas, shale and coal.

Conventional oil and gas is focused onshore USA (Alaska, Texas, Louisiana and Wyoming) with current production expected to grow significantly from the Company's existing reserves.

Unconventional oil and gas is focused on our world leading capability in Underground Coal Gasification, the process of converting coal into a valuable synthetic gas in situ. Linc Energy has constructed and commissioned the world's only UCG to GTL demonstration facility. The Company also owns and operates the world's only commercial UCG operation in Uzbekistan, which supplies syngas to a nearby power station.

Linc Energy is listed on the ASX (Australia) and the OTCQX (USA).

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