

CLEAN ENERGY DIVISION

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UCG AT CHINCHILLA TO DECOMMISSION AFTER 14 SUCCESSFUL YEARS OF OPERATIONS AND MOVE OFFSHORE

- **UCG Gasifier 5 to cease operation in November 2013 following conclusion of its 2 year design life and production of 48 million Nm³ (normal cubic metres) of quality syngas**
- **Linc Energy's UCG demonstration facility at Chinchilla to commence decommissioning and rehabilitation, with no further UCG testing expected at this site**
- **Linc Energy to move its UCG operations overseas with a focus on Asia**
- **Chinchilla has been the longest operating UCG research and development location in the world, with 5 UCG Gasifiers operated since 1999, allowing Linc Energy to now focus upon the commercial roll-out of UCG in strategic locations around the globe**

Linc Energy Ltd (ASX: LNC) (OTCQX: LNCGY) is pleased to announce the successful completion of two continuous years of operation of its Underground Coal Gasification (UCG) "Gasifier 5" (G5) at its demonstration facility in Chinchilla, Australia. The completion of G5 operations marks the end of nearly 14 years of operational trials and technology research and development by the Company at its world leading Chinchilla facility.

Over the last 14 years, Linc Energy successfully advanced and developed its leading proprietary UCG technology from the basis of a 70 year old technology employed in the former Soviet era, into a revolutionary and efficient in-situ gasification technology.

The achievement of G5's two-year design life in November 2013 will mark the conclusion of the Company's immediate technology development program and the transition into the final phase of site decommissioning and remediation. Further studies and analysis will be undertaken during the decommissioning and rehabilitation program to enhance the Company's operational know-how.

Linc Energy has been successfully conducting UCG operations upon the Chinchilla Research and Development (R&D) site since late 1999, with 5 generations of UCG designs tested. This work culminated in the operation of the G5 UCG technology which has incorporated the combined learnings from all previous designs and showcases the Company's commercial underground coal gasification platform. The UCG process developed by Linc Energy is predictable, safe, environmentally sound, uses significantly less land than other competing unconventional gas processes, such as Coal Seam Gas (CSG) operations, with minimal surface disturbance and is capable of producing substantial quantities of gas from previously uneconomic or stranded coal resources at a low cost.

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G5, which commenced in October 2011 and incorporates the engineering design to be employed in the Company's future commercial UCG projects internationally, has achieved several key milestones over its operational life. Key milestones and learnings achieved from G5 include:

- 48 million Nm³ (normal cubic metres) of quality syngas produced from 19,300 metric tonnes of coal consumed from G5 UCG operations;
- continuous operation for over 730 days from G5;
- implementation of commercial gasifier design, including successful development of 12 UCG cavities as per the G5 design intent;
- demonstration of Linc Energy's commercial gasifier cavity start-up procedure and new cavity initiation during continuous (hot) operation to expose new coal and maintain synthesis gas quality over the gasifier life;
- oxygen trials demonstrating enrichment levels from 21% (air) to 100% oxygen using Linc Energy's proprietary coil based oxidant injections systems;
- air blown gasification gas calorific value of up to 6.2 MJ/Nm³ and oxygen blown gasification gas calorific value of up to 10.2 MJ/Nm³;
- validation of process models and cavity growth models;
- validation of surface equipment design to separate UCG products;
- supply of constant syngas to downstream GTL (Gas to Liquids) demonstration facility that produced a synthetic crude product capable of refining in clean diesel and jet fuel; and
- operation of multiple gasifiers to downstream facility by operating Gasifier 4 and 5 together.

Other notable achievements at Linc Energy's Chinchilla facility over the past 14 years have included:

- operation of the first UCG to GTL facility in the world over a period of 5 years;
- first production of clean diesel from UCG to GTL in the world and trialling that diesel by driving a car across Australia; and
- first production of Jet fuel in the world from UCG to GTL and testing that jet fuel by flying a jet across Australia.

Despite the significant achievements of G5, together with all earlier gasifiers, it is with regret that, despite UCG being first initiated by the Queensland Government as a technology for prospective monetisation of the State's vast stranded coal resources, to date the State has not provided the UCG industry with any material certainty or confidence capable of supporting commercial investment in UCG in Queensland.

As a result, Linc Energy does not see a commercial opportunity to deploy its UCG technology into Queensland at this time. Whilst the Company wishes to maintain a presence in the State in the hope that future clarity and leadership will provide the necessary trigger for commercial investment, the Company has drawn the conclusion that it must continue to progress its UCG business offshore to ensure the future deployment of UCG into regions such as Asia which are seeking long term energy security and cost independence from rising prices of natural gas and LNG.

Linc Energy's Clean Energy Division is now deploying its technology into Asia, Africa, Russia and Poland. The Company is focused on supporting energy policies in those regions and extracting commercial value from the vast quantities of stranded coal resources available.

This is an exciting time for Linc Energy and its Clean Energy Division and this move signifies a material step forward towards the recognition of UCG as a viable, economic and efficient process of gas production on a global scale.

Mr Peter Bond, Chief Executive Officer of Linc Energy, said, "The Chinchilla UCG site has been a profound success in many ways, particularly in bringing UCG into the 21st Century as a safe, repeatable and cost effective operating gas platform. Given an equal opportunity and a fair go, then Linc Energy would likely stay in Chinchilla and use it as its Research and Development site to support its global operations. Indeed it could have become the training centre for future UCG operators and engineers. However, due to the regulatory uncertainty in Queensland over the last several years in particular, I do not believe that the developing UCG industry has been treated reasonably. I do not believe that we have been afforded a level playing field or offered a 'fair go' with access to the basic right of statutory due process."

"The reality is that UCG is developing as a global industry now. Queensland may have given birth to what is a fast growing energy platform, but it is the nations that are short of gas yet have substantial coal resources that will benefit, such as Poland, China, Hungary, Ukraine, South Africa, Mongolia, Indonesia and Vietnam to name a few."

"Obviously, the decommissioning of Chinchilla is an emotional event for the Company and for me personally. We have spent many years and a lot of money and effort developing something unique and special in the form of UCG at Chinchilla."

"Ironically the high cost of LNG industry development in Queensland today, which is depending upon growth in Asia, is a pointer to why regions like Asia will need UCG to help level the energy playing-field in the future. This is why it makes sense to move a big part of Linc Energy's UCG operations to areas such as Asia now."



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).