ABN: 60 076 157 045
ACN: 076 157 045
Smellie & Co Building,
32 Edward Street
(GPO Box 1315)
BRISBANE QLD 4001
Telephone: (07) 3229 0800
Facsimile: (07) 3229 6800

ASX Announcement

4 July 2012

LINC ENERGY CUTS COSTS TO ENSURE PROFITS

Linc Energy (ASX:LNC) (OTCQX:LNCGY) today provided an update on the outcome of the review of business operations and resulting budget cuts that was initiated 90 days ago.

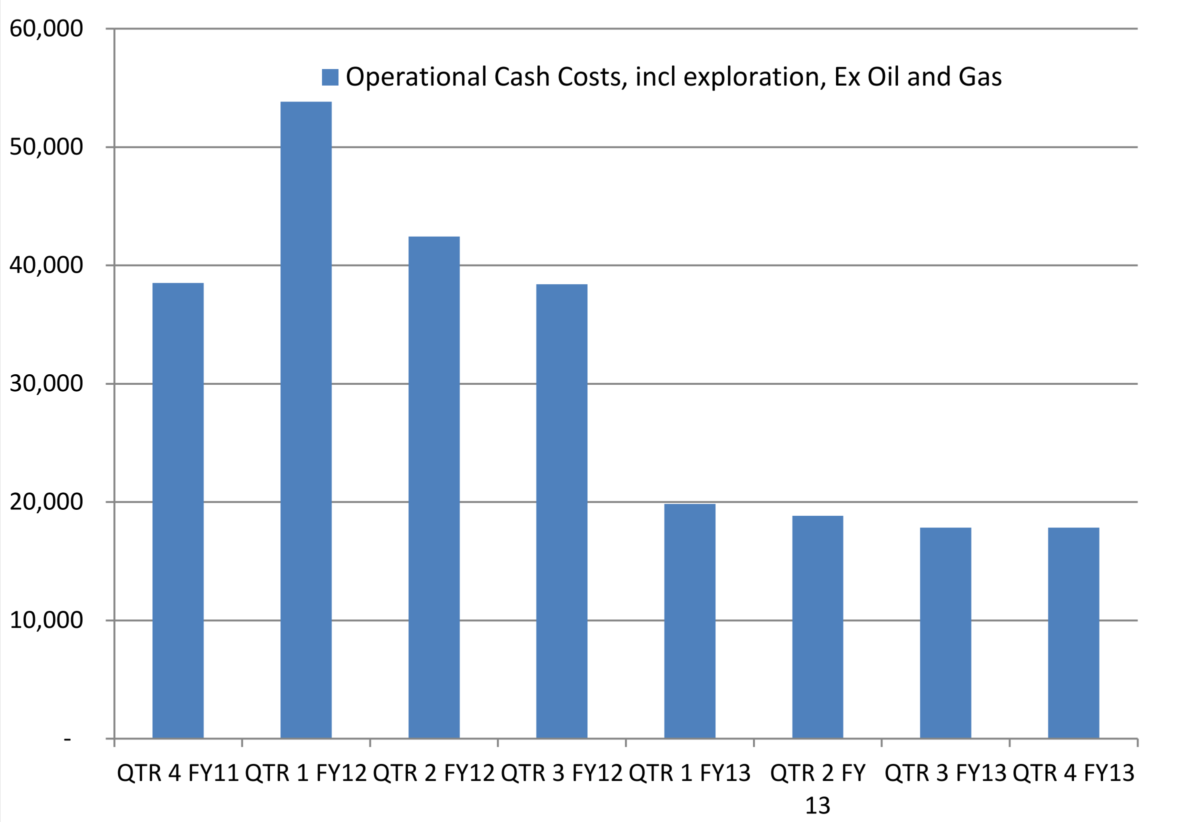
Linc Energy has undertaken a detailed review of all aspects of the business with a particular focus on cost saving initiatives whilst driving its core focused commercial outcomes. The outcome of this review has been a reduction of 60 employees across Linc Energy. Approximately 90% of these positions are attributable to the Corporate and Clean Energy divisions without affecting any core areas of the business.

It is worth noting that many of the budget cuts were completed in the Company's Denver and Casper offices on the back of the consolidation of the Company's oil operations, which are now being run out of Houston, with further cuts actioned in the Brisbane office.

Following the restructure, Linc Energy continues to employ over 400 employees across Australia, USA, Europe and Uzbekistan and retains its technical expertise in UCG, GTL and (Co^2) EOR. One-off costs associated with the restructuring will be approximately AUD0.5m and will be provided for in the results for the financial year ending 30 June 2012.

The average Quarterly cash burn for Linc Energy over the 12 months to 31 March 2012 was approximately AUD38.2m per Quarter (not including the Oil and Gas division) and this will be reduced to a Quarterly average for next year (2013) to approximately AUD19m per Quarter (excluding the Oil and Gas division – which is self-funding).

Linc Energy's total budget (excluding some oil and gas capital requests) will be able to be fully-funded from the positive cashflows from the USA oil business, which is expected to yield an operational cash surplus of AUD15m for the Company for FY13.



Above represents the operational cash costs (ex Oil and Gas) from the previous four Quarters and for the next four Quarters. Quarter 4 FY12 has not been included in the above graph as the results for the Quarter has not yet been completed or released to the market.

As per the Company's announcement of 2 July 2012, the Oil and Gas division is operating at approximately 4,000 barrels per day (BOPD) (gross) with an average uplift cost of approximately AUD17 per barrel (LOE and Taxes) in Texas. At 4,000 BOPD, the annualised EBITDA for the Oil and Gas division is above AUD65m (assuming a USD90 WTI price, (Linc Energy gains a USD8 premium over WTI for its oil in Texas/Gulf Coast)). By third Quarter FY13 production is expected to be at over 7,000 BOPD and the expected EBITDA will be over AUD120m annualized over 12 months, with oil production anticipated to continue to increase for at least the next three (3) years (not allowing for oil flows from the Alaska Umiat Field).

Together with this increased production from the Oil and Gas business and these announced cost initiatives across the Coal, Clean Energy and SAPEX divisions, Linc Energy is expected to be cash positive on a reoccurring basis for FY13 by AUD15m, excluding any monetization of assets or equity injection, for example a coal asset sale or the proposed China Joint Venture with GCL, which as previously announced, is in its final stages of legal documentation.

Linc Energy CEO/Managing Director Peter Bond said, "The cost saving initiatives were imperative to ensuring that Linc Energy was sustainable on its own into the future and ensures that the core business was focused on delivering fundamental outcomes to the shareholders. These key outcomes include increasing production in the Oil and Gas business, monetization (sale) of key non-core assets, like some of our coal and shale assets, and deliverability of the Clean Energy UCG commercial opportunities like the proposed joint venture in China with GCL. Linc Energy will continue to drive hard cost saving reforms whilst focusing on achieving its core goals".

ASX Contact:
Brook Burke
Company Secretary
Phone: +61 7 3229 0800
E-mail: brook.burke@lincenergy.com

Company Profile

Linc Energy is a globally focused, diversified energy company with a strong portfolio of coal, oil and gas deposits. It is Linc Energy's purpose to unlock the value of its resources to produce energy to fuel the future.

A publicly listed company, Linc Energy is the global leader in Underground Coal Gasification (UCG), which delivers a synthesis gas feedstock to supply commercially viable energy solutions – such as electricity, transport fuels and oil production – through gas turbine combined cycle power generation, Gas to Liquids (GTL) Fischer-Tropsch processing and Enhanced Oil Recovery.

Linc Energy has constructed and commissioned the world's only UCG to GTL demonstration facility located in Queensland, Australia. This facility produces the world's only UCG to GTL synthetic diesel fuel. Linc Energy also owns the world's only commercial UCG operation, Yerostigaz, located in Uzbekistan. Yerostigaz has produced commercial UCG synthesis for power generation for 50 years.

Linc Energy is on a rapid global expansion path to commercialise its portfolio of resources, with established offices across three continents in the United States, the United Kingdom and Australia.

Linc Energy is listed on the Australian Securities Exchange (LNC) and can also be traded in the United States via the OTCQX (LNCGY).