LINC ENERGY

ABN 60 076 157 045

FUELING OUR FUTURE

LINC ENERGY LTD // 2012 ANNUAL REPORT

THIS PAST YEAR
WILL MARK A
TRANSFORMATIONAL
PERIOD FOR
LINC ENERGY

- PETER BOND

CONTENTS

AT A GLANCE

OPERATIONS & ACTIVITIES

THE FINANCIAL YEAR

EXTRAS

CORPORATE **DIRECTORY**

DIRECTORS

Mr Ken Dark
Acting Chairman

Mr Peter Bond
Managing Director

Mr Craig Ricato
Executive Director

Mr Jon Mathews
Non-Executive Director

SECRETARY

Mr Brook Burke

NOTICE OF ANNUAL GENERAL MEETING WILL BE HELD AT

Brisbane Convention & Exhibition Centre
Corner Merivale & Glenelg Street
South Bank, Brisbane, QLD

TIME

3:00pm

DATE

Thursday, 29 November 2012

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

32 Edward Street Brisbane QLD 4000
Telephone 07 3229 0800
Facsimile 07 3229 6800

SHARE REGISTER

Link Market Services
Level 15, 324 Queen Street Brisbane QLD 4000
Telephone 1300 554 474

AUDITOR

KPMG
Level 16, 71 Eagle Street Brisbane QLD 4000

BANKERS

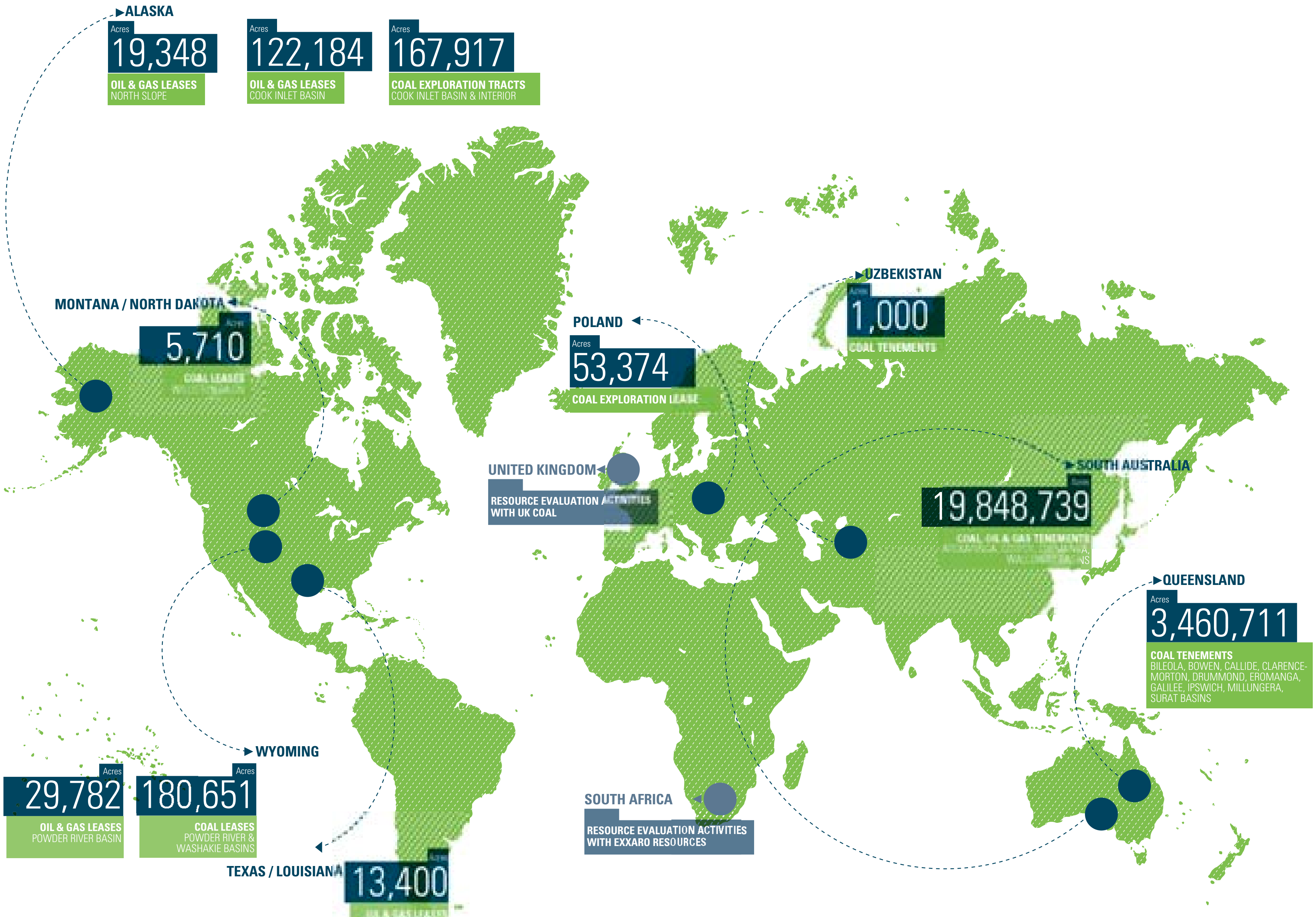
Bank of Western Australia Ltd
National Australia Bank
Wells Fargo & Co
HSBC

STOCK EXCHANGE LISTINGS

Linc Energy Ltd shares are listed on the Australian Securities Exchange (ASX: LNC) and in the United States on the OTCQX (OTCQX: LNCGY)

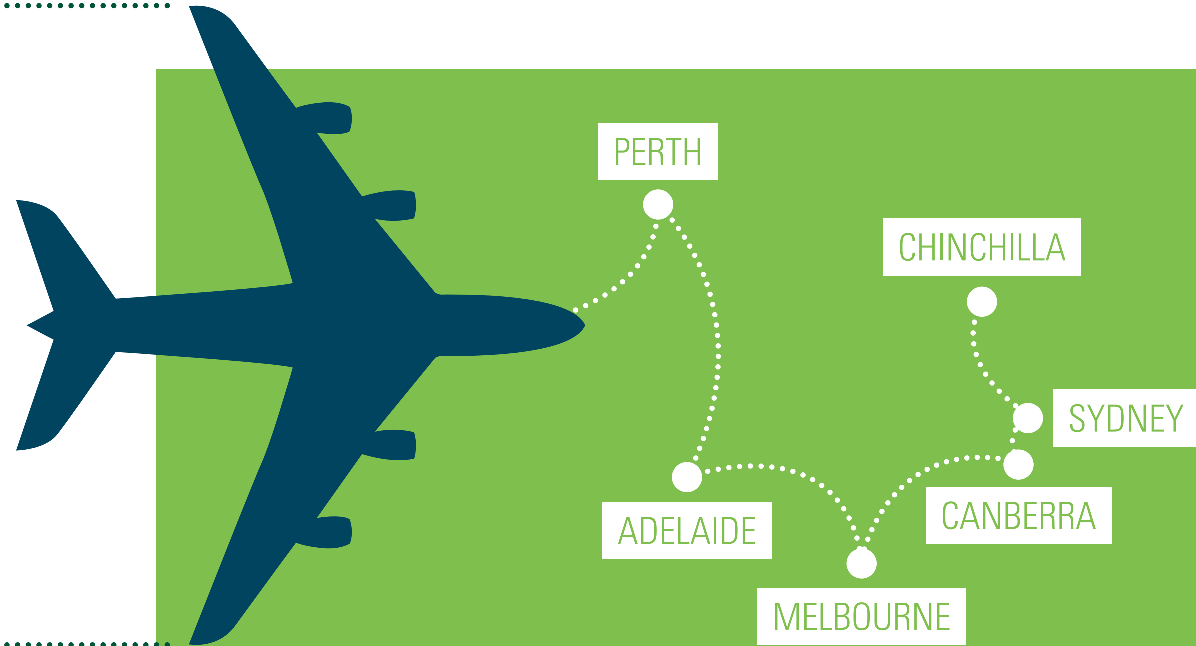
WEBSITE ADDRESS

www.lincenergy.com



247 ACRES (APPROX) = 1 SQUARE KILOMETRE.
As at 29 September 2011, including tenure under application.

A SPLASH ON THE JET A1 DASH

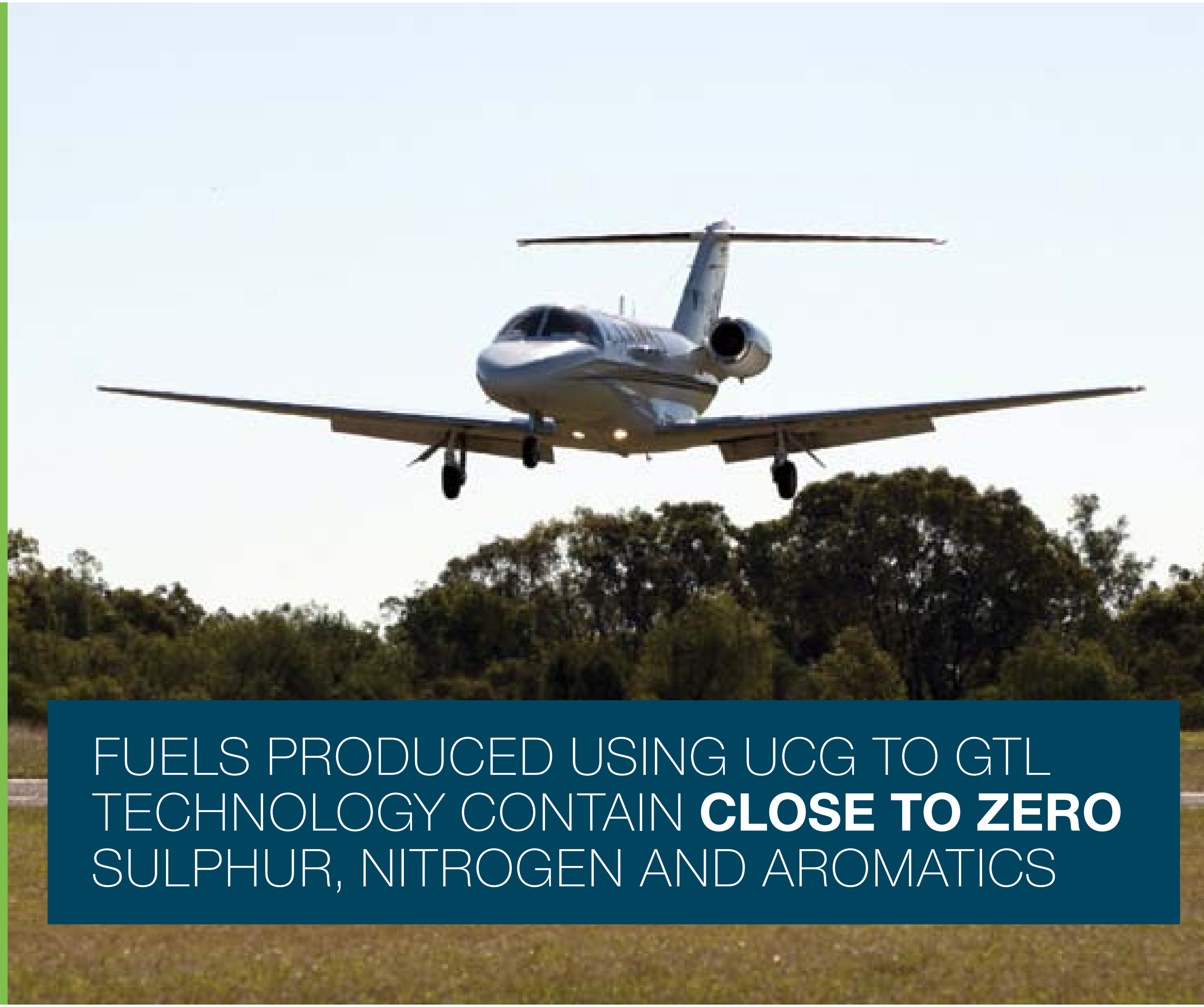


Creating fuel for the aviation industry using UCG to GTL, in a new frontier. The Jet A1 Dash across the country was a great way to prove that, once again, Linc Energy has achieved a world-first through our technology and know-how.

ANOTHER WORLD 1ST

4,200 KILOMETRES ACROSS AUSTRALIA

CITATION **CJ2 JET**



FUELS PRODUCED USING UCG TO GTL TECHNOLOGY CONTAIN **CLOSE TO ZERO** SULPHUR, NITROGEN AND AROMATICS

DEAR FELLOW SHAREHOLDER,

Time moves so swiftly, and we find ourselves again at the time of year where formal reporting of our activities has arrived. I would like to be announcing that we have continued our earlier trend of considerable year on year growth, but times have been substantially challenging. With our market capitalisation at a low ebb, we find ourselves in the position of having to demonstrate to our shareholders that we continue to be "on track" and are still the substantial opportunity which saw such a strong prior following. Hopefully the following will assist in this process.

As reported last year, our focus has been on commercialisation of the enterprise. The main thrust of this exercise has been in the area of traditional oil within the USA. Our investment in the Texas/Gulf Coast fields is beginning to return the cash flow results expected. The plan is for this oil based cash flow to predominately bankroll the Group's activities whilst the longer term goals are achieved.

So just what have we achieved this past year?

ORGANISATION

- The most visible change has been the recent restructuring of the operating segments of the organisation into four separate divisions. Details of these divisions and their activities are shown elsewhere in this report which I won't repeat here; sufficient to say that the goal of ensuring focus on budgets and outcomes is already showing positive results.

TECHNOLOGY

- One of the most exciting activities has been the further demonstration of our UCG/GTL technologies by the flight of a jet aircraft from Perth to Chinchilla- ON OUR OWN LINC ENERGY JETFUEL! As our CEO stated: "There is no better way of demonstrating confidence in your own product than being in an aircraft at 40,000 feet, powered by your own fuel". The Jet A1 Dash, coupled with our Diesel Dash of last year, clearly validates the support our shareholders have displayed in sharing our vision (now reality) of being the world's leader in UCG/GTL.
- The UCG technology itself passed a major milestone during the year. September 2011 was the 50th anniversary of our Yerostigaz operation in Uzbekistan supplying gas to the Angren power station. This UCG field has supplied gas continuously over this half century.
- The Yerostigaz operation, although being the world's only commercial UCG field and certainly the longest operating, is based on earlier technologies. Our Chinchilla team again proved their technological superiority with the successful ignition and operation of the world's most advanced UCG gasifier. This 5th generation gasifier is the model on which our future commercial operations will be based. The Chinchilla research and demonstration facility continually enables us to make such significant advances. The tightly held Intellectual Property resulting from our technological journey of the past few years has led to many patent applications. Linc Energy has well and truly established itself as the world's leader in UCG/GTL technologies, and energy security will follow!

CLEAN ENERGY

- Commercialisation of our UCG technology continues to be a driving force for the Clean Energy division. As well as our prospective UCG/GTL project in China, we are evaluating many opportunities across the world - the greatest challenge here is to choose the most suitable project from the smorgasbord on offer.
- The USA Clean Energy Team has submitted Linc Energy's R&D Licence application for Gasifier 6 UCG demonstration facility to the relevant Wyoming authorities. We expect to receive approval to proceed by year end.

OIL AND GAS

- Permitting and winter season drilling preparation work continues to ensure we are well positioned to enable timely commencement of our program for the Umiat prospect in Northern Alaska.
- Substantial recompletion and new well work have been achieved at our US Gulf Coast oil facilities. This has been a highly successful exercise to-date with output reaching approximately 4,000 BOPD

(gross) by the end of June. We continue to be on track to make our year end goal of approximately 6,000-7,000 BOPD (gross) by December 2012.

COAL

- Monetisation of non-core assets remains the prime goal. Several opportunities are being pursued.
- Substantial work has been put into the Teresa project, both from a divestment and mine licence perspective. Wet weather has been a serious problem, greatly hampering land access and drilling activities.

SAPEX (SOUTH AUSTRALIA)

- With other priorities taking precedence, this area of the business has been slower to progress than we would have preferred. However, this has now changed. We have a re-invigorated team in place and we are strongly pursuing opportunities to monetise this substantial asset!

None of these outcomes could have been achieved without a dedicated and motivated team. With the divisional restructure, over the coming year, we expect to see this great bunch of people outstrip past performances, as well as continuing to do so with zero lost time injuries and within budget. Great work team - keep it up!

In summary, this has certainly been our most challenging year. We, your board are greatly concerned with where the market values our company, especially as we believe the underlying hard asset value is substantially greater than our current market capitalisation. Our technology is world leading, our UCG/GTL story is stronger than at any time in the past, our oil business in the USA is kicking goals, Umiat remains a sleeping giant, we continue to hold a substantial portfolio of coal leases across the world, and our South Australian leases hold a potential bonanza yet to be defined. Tie all this into a projected cash surplus this coming financial year and I believe we are in quite a good space.

Yours sincerely,

Ken Dark
Acting Chairman

"THERE IS NO BETTER WAY OF DEMONSTRATING CONFIDENCE IN YOUR OWN PRODUCT THAN BEING IN AN AIRCRAFT AT 40,000 FEET, POWERED BY YOUR OWN FUEL."

DEAR SHAREHOLDERS,

It goes without saying that this past year has been an extraordinarily difficult period from a global economy perspective. Most companies have seen their share values reduced significantly. Unfortunately Linc Energy has been affected by negative market sentiment and the overall pessimism that started in Europe over a year ago which has subsequently spread across the world.

On the back of the uncertainty of Europe and the slowing of China's economic growth, a lot of the 'heat' has been taken out of the mining boom. Add to this, a strong Australian Dollar and the exposure of ASX listed companies to the change of sentiment in commodities and suddenly investing in Australian companies is less "attractive" now than it has been at any time in the past decade. This has affected Linc Energy in particular, as we've traditionally attracted quite a lot of investment from the USA and London. Unfortunately, with less overseas buying into the Company, the trading becomes thin and the stock becomes vulnerable to 'day and bots trading' and 'shorters' looking for volatility, which lowers the valuations of a stock to the detriment of other shareholders. The best way to ensure we recover its share value and sentiment is to execute on corporate goals so that we keep adding value to the business - fundamental value that delivers profits and dividends and eventually will also drive the share price.

Another issue is the market perception that our story is too complicated, and I, more than anyone, understand the story has grown and changed considerably which has added another level of complexity. Some of this was through necessity, like the development of UCG away from Chinchilla due to the (old) Queensland Government's negative actions and reaction to the evolution of UCG. And then the creation of the company's Oil & Gas Division, which was and is necessary for the company as a means to secure short term cash flow and grow a more stable asset base away from coal and away from Australia. Our own Coal Division has evolved from a collection of large, quality coal holdings, which have turned into the Teresa, Pentland and Galilee assets (now known as Carmichael and acquired by Adani Mining). The plan to expand away from Chinchilla and spread our horizons lead Linc Energy to our acquisition of SAPEX assets in South Australia – now one of Australia's most prospective shale oil basins - which Linc Energy will explore joint venture opportunities with an appropriate partner.

When you look at our four Energy Divisions, they are all connected and all have some significant synergies. The corporate story within Linc Energy over the coming months is all about unlocking significant value from a wonderful pool of assets, whilst we continue to lead the world in commercialising and developing UCG across the globe. As we separate the business and start to unlock the value chain, we also simplify our story again. What will emerge is a more mature and developed UCG process that will be cash flow positive and commercially driven in several countries and regions - this is a vastly improved and different company to where we were just two years ago.

It is also worth noting that as our oil production increases, so too do the asset values grow in our business. This, combined with the large upside from the Umiat opportunity, allows a greater understanding and appreciation for the opportunities within our oil business. Together with opportunities to monetise business divisions like Oil and Coal, and as you commence the commercialisation of UCG, it is then that you can really start to reposition the company in the eyes of investors, and frankly that is exactly what we are doing.

Indeed one of the good news stories of the year was Linc Energy's diversification into oil last October which was very well timed, with oil and the USA economy being seen as one of the few bright spots in the world markets. I am confident we will be within the range of 6,000 to 7,000 gross BOPD target production by the end of December 2012.

When Linc Energy took control of these assets at the end of 2011, they were producing around 3,200 BOPD and since that time, the Company had to virtually rebuild its Oil team in Houston and re-organise the operations (including our geology and drilling philosophy). This increase in oil production is a wonderful team effort, led by its President, Scott Broussard, who has now created the foundation of a very dynamic and profitable oil business. It is still the aim of the company to grow oil production to 9,000 - 10,000 BOPD and I believe we should achieve this goal by the end of 2013.

The Umiat site in Alaska is one of Linc Energy's key development assets. Linc Energy will be drilling Umiat over this coming 2012 winter commencing mobilisation via the construction of a snow road in October/ November this year with the rig being moved to the site in December and spudding our first Umiat well in January 2013. This drill program will help define the Umiat asset and its potential. Our four core drivers in 2013 will be:

- unlocking value from our oil, coal, shale assets and the Adani royalty over the Carmichael Mine;
- increasing oil production from our Texas/Gulf Coast oil assets;
- completing the first phase of our Alaska drill program; and
- executing our first UCG commercial facility.

At this stage the company won't be fast tracking the development of the CO_2 EOR oil recovery in Wyoming. Even though we have injected CO_2 and successfully tested this program we have prudently decided that we should spend our current capital budget expanding our cash flow that can be more easily created in our Texas/ Gulf Coast oil assets and to complete phase (one) of our Alaska Drill Program, whilst ensuring we complete our first UCG commercial facility - these three issues are our core focus drivers for 2013. I am still very confident about Wyoming and our CO_2 EOR program. The return on investment from the oil produced in Wyoming via CO_2 EOR appears to be very attractive, and we intend to complete more engineering and planning to bring this project to a point of easy execution for the near future.

There are various other assets of Linc Energy that are often overlooked. The Adani Royalty is one where

Linc Energy has written a Royalty agreement with Adani on completion of the Galilee coal sale, where we will receive $2 per tonne (indexed to CPI) for every tonne of coal mined from the Galilee (Carmichael) mine during the first 20 years of production. Adani has previously announced a 60 million tonne potential mine for Carmichael. Adani has also purchased the Abbot Point Coal Terminal (so they can ship out the coal to India) and has purchased the land the coal mine will be constructed upon. Adani has also nearly completed the EIS and most of the mine plan. So this is a real project, which from all reports and the current momentum, will become an operating mine in 2014.

This is a 'tradable' Royalty, which with each month that passes and with each step progressed by Adani, this Royalty becomes more valuable and more saleable. If Linc Energy retains the cash flow from the Royalty alone, the revenue received would pay all company costs and allow us to potentially generate a good profit every year.

We also have the AFC Fuel Cell investment where Linc Energy owns 12% of the company and an exclusive licence for use of the technology with UCG. AFC has made some very good progress on the Fuel Cell development, which is moving nicely towards commercialisation. I have been disappointed with the problems that Powerhouse experienced this past year and after some assistance and guidance I am hopeful that the Powerhouse investment will start moving down the right path. Even though it's a relatively small investment for Linc Energy, it's still got some excellent potential for our shareholders in the medium to longer term, and the exclusive licence is potentially very helpful for our company in some of our prospective markets.

In relation to progress made with UCG and GTL technologies, we have flown a jet across Australia on Jet A1 fuel created from UCG at our own GTL facility at Chinchilla which was a wonderful success. We have also spent a lot of time, streamlining and creating cost effective outcomes for the modular 5000 BOPD GTL commercial facility (design). In addition, we've spent most of 2012 testing a new Fischer Tropsch reactor and catalyst, which has proven to be much cheaper and more efficient to use and construct.

In regard to UCG, we've continued to make some very impressive inroads with our G5 UCG design and operation with 12 months of relatively trouble free operations. Linc Energy continues to improve its UCG capability and efficiency, and it is now up to the commercial teams to ensure the relevant opportunities available to us are completed as soon as practical.

The focus of the company for Clean Energy in the near future will largely be the commercialisation of UCG gas for use into a pipeline, as a substitute for LNG (in certain countries) by converting Linc Energy's UCG into Substitute Natural Gas (SNG) and using UCG (syn-gas) as feed stock for captured customers such as power stations and chemical plants. The main focus and driver for me is to ensure that UCG becomes part of the world's energy platform and Linc Energy continues to drive leadership of the development of UCG across the globe. I believe the best way to do this is by commencing the commercialisation of UCG and the recent announcements Linc Energy has made relating to UCG in China and Africa, is just an example of the numerous UCG commercial possibilities the Company is currently exploring.

I'd have liked UCG to have moved faster, but for various reasons the contracts and the roll-out of opportunities has taken longer than I have wanted or anticipated. The good news is the hard work over this past 12 months is setting up what appears to be a very good year for UCG over the coming months.

I know this has been a difficult year for everyone, but the progress Linc Energy has made, from increased oil production in the USA, to UCG-GTL jet (fuel) flights across Australia, to UCG in China and Africa and to the raising of a $265M Debt Bond and driving cost efficiencies across the business has been significant.

This past year and indeed the months ahead will mark a transformational period for the company. We've re-focused the business whilst driving productivity and production, and creating a commercial cash positive company, with a long term UCG model. From this foundation we are building a better Linc Energy based on improved value drivers and overall fundamentals that will establish the company on a firm pathway for many years to come.

I thank you for your continued support, and I'd like to take this time to thank my team and my board of directors for their incredible and continued commitment within Linc Energy over this past 12 months.

There is so much happening and so much good work about to come to fruition, I'd like to say it's exciting, but frankly right now it's more about just hard work and focus.

Kindest Regards,

Peter Bond
CEO & Managing Director

OIL & GAS

REVIEW OF OPERATIONS AND ACTIVITIES

STRATEGY AND DELIVERY

The focus of the Oil & Gas Division in 2011-12 has been on expanding and accelerating development to increase Linc Energy's reserves, production and cash flow.

This has included a number of key elements:

Maintaining cash flow through the development of existing, lower-risk opportunities

Linc Energy's current producing asset base in the Gulf Coast contains significant near term drilling opportunities. The company has identified several up-dip trends, infill and adjacent block drilling locations, recompletion and re-entry opportunities in the Barbers Hill, Black Bayou and Hoskins Mound fields that provide access to proved, lower-risk reserves.

Drilling plans for the remainder of 2012 and all of 2013 contemplate drilling approximately 60 wells and initiating approximately 30 recompletions. These lower-risk reserves can be developed from infrastructure currently in place and utilising Linc Energy's proprietary 3D seismic data technologies.

The development of these lower-risk reserves will boost existing cash flow and help to obtain financial flexibility as the Oil & Gas Division deploys additional capital to develop longer-term resource plays.

Linc Energy has also commenced an extensive seismic reprocessing program over the company's salt domes at Barbers Hill, Port Neches and Black Bayou fields to improve its ability to recognise deep sub-salt potential in these fields.

Increasing long-term, proved reserves through the development of Umiat

In 2011, Linc Energy strategically identified and acquired an 84.5% interest in the Umiat oil field in the North Slope region of Alaska.

Umiat is one of the largest undeveloped petroleum resources in North America with OOIP of one billion barrels. Over the next 24 months, the Oil & Gas Division will strategically deploy our capital and internal resources toward taking the necessary steps to delineate the reserve potential of the Umiat oil field while ensuring that all environmental and regulatory issues are appropriately addressed.

Once these near term objectives are achieved, we expect a significant rise in the value of Umiat and the potential conversion of probable reserves to proved reserves. Based on the findings of the near term initiatives and the availability of capital, Linc Energy will seek to leverage our technological and drilling expertise to optimally exploit the oil & gas resources of the Umiat asset.

Aggressively develop Wyoming assets to increase production

The Oil & Gas Division intends to apply an EOR strategy using CO_2 flooding techniques to aggressively develop the Group's acreage position and maximise the value of its resource potential in the Powder River Basin region of Wyoming.

These assets represent opportunities with strong return characteristics over the life of the asset, supportive of significant near-term production, cash flow growth and long-term proved reserve growth. Over the next 18-24 months, Linc Energy expects its Wyoming assets to be producing approximately 2,400 BOPD from phase one of the EOR project. Ultimately, with the development of additional phases of the EOR project, expected production is in excess of 10,000 BOPD.

Actively managing the risks and rewards of the drilling program

The Oil & Gas Division operates 100% of the wells that comprise Linc Energy's proved reserves as of 30 June 2012, and the company owns net revenue interests in its properties that average approximately 74% on a net acreage basis.

The Oil & Gas Division considers operating the company's properties to be important because it allows control over the timing and costs in the Division's drilling budget, as well as control over operating costs and production marketing. In addition, the high net revenue interests enhance returns from each successful well drilled by generating a higher percentage of cash flow.

Linc Energy's high net revenue interests provide a unique opportunity to retain a substantial economic interest in riskier wells while mitigating the risk associated with these projects through farm-outs or promoted deals. Additionally, the company will review and rationalise its properties on a continuous basis in order to optimise its existing asset base.

Leveraging technological expertise to ensure high return projects

Linc Energy has assembled a highly effective and experienced team of geological, geophysical, and engineering professionals to evaluate and exploit the oil & gas portfolio of assets and to explore for significant untapped potential at greater depths.

3D seismic analysis, extensive subsurface mapping and other advanced technologies and production techniques are useful tools that help improve drilling results and ultimately enhance production and returns. The company either owns or holds licences for 3D seismic data covering over 75% of its acreage in the Gulf Coast, Wyoming and Alaska fields. The Oil & Gas Division intends to utilise these technologies and production techniques in exploring for, developing and exploiting oil and natural gas properties to help reduce drilling risks, lower funding and development costs and provide for more efficient production of oil and natural gas from Linc Energy properties. The use of these technologies, together with Linc Energy's experienced geological and geophysical personnel, enhances the probability of locating and producing reserves that might not otherwise be discovered.

Pursue opportunistic acquisitions

Linc Energy continually reviews opportunities to acquire producing properties, leasehold acreage and drilling prospects at attractive prices. The company's acquisition strategy, as exemplified by the Gulf Coast and Wyoming acquisitions, focuses primarily on underdeveloped assets with significant growth potential and allows Linc Energy to enhance and exploit properties quickly without assuming significant geologic, exploration or integration risk. The Oil & Gas Division is also pursuing longer-term opportunities, such as Umiat, where significant upside potential exists. Along with the organic growth of the company's existing reserve base, our acquisition strategy will allow us to maintain a balanced portfolio of near term and exploratory opportunities for the benefit of sustainable long term growth.

KEY HIGHLIGHTS

2011-12

Acquisition of the Gulf Coast oil & gas assets with initial gross oil production of

2,700 BOPD

FORMATION OF THE OIL & GAS DIVISION WITH HEADQUARTERS IN HOUSTON, TEXAS

OPENING OF THE HOUSTON OFFICE

Commencement of an aggressive drilling and recompletion program on the Gulf Coast

Achievement of

4,200 BOPD

production in the Oil & Gas Division

ACHIEVEMENT

OF NO LOST TIME ACCIDENTS IN THE DIVISION

OUR PEOPLE

The acquisition of the Gulf Coast oil & gas assets and the establishment of the Houston office brought only minimal staff from the previous owners. An aggressive recruiting program has resulted in the assembly of highly skilled and professional staff led by a proven management team:

SCOTT BROUSSARD

President, Oil & Gas Division

Scott Broussard has over 30 years of executive level and operations experience in the planning and execution of drilling, completion, workover and facility operations in the Gulf Coast and Gulf of Mexico regions. Prior to joining Linc Energy in October 2011, Scott was CEO and Chairman of Probe Resources, a TSX-V listed exploration and production company with assets in the Gulf of Mexico. Prior to Probe, he served as Vice President – Drilling and Production for Hydro Gulf of Mexico, formerly Spinnaker Exploration. Scott joined Spinnaker six months after start-up and transformed Spinnaker from a non-operator to one of the larger operators in the Gulf of Mexico. Scott holds a Bachelor of Science degree from Louisiana State University.

BILL YOUNG

Chief Operating Officer, Oil & Gas Division

Bill Young is responsible for the management of Linc Energy's reservoir engineering, operations, drilling, geological & geophysical, land and regulatory functions. Bill has spent the past 35 years in various engineering, operations and finance positions in both private and public oil and gas companies. His responsibilities have included mergers & acquisitions, marketing, engineering planning, environmental affairs, government compliance, field operations, accounting/finance and business development. He holds both a Bachelor of Science and a Master of Science in Civil Engineering from North Carolina State University.

JUDE ROLFES

Chief Financial Officer, Oil & Gas Division

Jude Rolfes has 10 years of experience in finance with specific expertise in M&A, advisory and capital raising for the E&P sector. Prior to joining Linc Energy in June 2011, Jude spent six years at Madison Williams, a boutique investment bank focused on the oil & gas, oilfield service and midstream sectors. Jude is responsible for management of Linc Gulf Coast Petroleum's finance functions, as well as acquisitions, divestitures and capital markets activities. He holds a Bachelor of Arts in Economics from Washington & Lee University.

CORRI FEIGE

General Manager, Alaska

Corri Feige has over 24 years of global exploration and development experience in the mining and petroleum sectors. As a geophysicist and exploration program leader, she has worked exploration and development programs in the United States, Australia, Central America and South America. Over the last 16 years, she has worked on various mining and petroleum exploration and development projects across Alaska including remote exploration programs in Western Alaska and Southwestern Alaska, coal bed methane exploration in the Cook Inlet Basin, conventional natural gas exploration in the Cook Inlet Basin, coal and hardrock mine permitting and environmental compliance, and permitting the first deep (14,000ft) geothermal exploration project in Alaska. Corri holds a Bachelor of Science Degree in Geophysical Engineering from the College of Engineering at the Montana School of Mines.

I AM VERY EXCITED TO DRILL IN UMIAT THIS WINTER. LINC ENERGY ALASKA HAS PUT TOGETHER A ROBUST TEAM WITH OUTSTANDING ARCTIC EXPERIENCE. I LOOK FORWARD TO A SUCCESSFUL DRILLING PROGRAM WHILE MAINTAINING HIGH SAFETY AND ENVIRONMENTAL STANDARDS.

BARTLY KLEVEN // ENVIRONMENT PERMITTING MANAGER // ALASKA

PROJECTS AND OPERATIONS

OIL & GAS ACQUISITIONS

In order to advance Linc Energy's strategy to generate cash flow from conventional North American oil assets, the company acquired prolific producing fields with significant upside potential in the Gulf Coast region of the United States.

GULF COAST

On 13 October 2011, Linc Energy's wholly owned subsidiary, Linc Gulf Coast Petroleum Inc. finalised its purchase of Gulf Coast oil & gas assets. The production is comprised of 95% oil and is 100% operated by Linc Energy, with over 90% average ownership.

The 14 oil fields and related facilities are located in Texas and Louisiana and are within the Gulf Coast onshore and inland waters regions. All of the fields are either salt domes or geological structures related to deep-seated salt movement. Salt and salt-related features have been a major source of US domestic oil production since the turn of the 20th century. Application of technology to these complex features will enable the company to unlock significant incremental resource potential. Total area of the acquired leasehold is approximately 13,400 acres (54 km²) across 156 oil & gas leases. Linc Energy continues to acquire leases to expand its footprint in the region.

The acquired fields have historical production of greater than 700 million barrels of oil.

Linc Energy has assembled a highly effective and experienced team of recognised industry experts to evaluate and exploit this identified resource and to explore for significant untapped potential at greater depths. The implementation of 3D seismic technology with enhanced re-processing will allow the team to unlock this potential and substantially more.

Most major conventional (non-shale) US offshore oil discoveries in the past 10 years have been sub-salt in nature. Linc Energy is uniquely positioned with its salt-related acreage to capture the onshore extension of this prolific sub-salt play. Examples of offshore sub-salt discoveries in the US Gulf of Mexico are Jack and St. Malo, with expected recoverable reserves of 500 million barrels.

OIL & GAS PRODUCTION

GULF COAST

Linc Energy's focus on increased operational efficiency as well as an aggressive drilling and recompletion program has resulted in a 100% increase in production from 2,000 to 4,000 gross BOPD by the end of the period.

The systematic exploitation and exploration program will facilitate continued increases in oil production, enabling the company to reach its stated production target of 6,000 to 7,000 gross BOPD by December 2012.

WYOMING

Linc Energy owns three oil fields covering 27,856 acres (113 km²) near Glenrock, Wyoming. These assets include oil & gas leases, property interests (including all overriding royalty interests held by the former owner) and oil production fields known as 'Big Muddy', 'South Glenrock B' and 'South Cole Creek.' Current total production from the fields is approximately 200 BOPD.

During the period, a FEED study by an independent consulting group (Nicholas Consulting) was completed for a full-scale CO_2 project on the South Glenrock B Unit. This study includes budgetary equipment and construction costs. Linc Energy is now preparing to begin the detailed design phase for the CO_2 project, involving Piping and Instrumentation Diagrams, pipe routing, equipment specifications and layout. It is anticipated major equipment orders will be placed in coming months.

Additionally, the company has completed its reservoir modelling through Nitec Engineering and is finalising the well count and well design required to optimise the project. A local power company is working on providing accurate costs and a schedule to provide necessary power to the project area.

Linc Energy currently has an interruptible contract with ExxonMobil for the purchase of up to 10 million cubic feet of CO_2 per day. Other sources of CO_2 are also being identified.

The company anticipates that the future source of CO_2 for the EOR operations will be the by-product of the company's UCG operation in the Powder River Basin.

OIL & GAS EXPLORATION

ALASKA

Linc Energy has a controlling interest in 19,358 acres (78 km²) of oil & gas leases at Umiat, located within the National Petroleum Reserve Alaska NPRA on the North Slope of Alaska. The Umiat oilfield is estimated to hold roughly one billion barrels of OOIP.

In late December 2011, Linc Energy made the decision to defer its 2011-2012 exploration drilling program at Umiat due to the lack of timely availability of a suitable drill rig and the delayed development of a snow-packed access road resulting from low snow levels near the Trans-Alaska Pipeline System (TAPS) Pump Station 2.

Since that time, the Oil & Gas Division has continued to develop the Umiat Project Description and draft Plan of Development, as well as maintain engagement with North Slope communities and the various regulatory agencies. Since November 2011, two community meetings have been held in the village of Anaktuvuk Pass (November 2011 and April 2012) and one in the North Slope Borough village of Nuiqsut (February 2012). Further, a project-specific website, www.lincenergyumiat.com, was launched in April 2012 to maintain transparency on project development and exploration activities. Linc Energy is also using the Umiat Project website as a tool to maximise local employee recruitment from North Slope villages.

For the 2012-2013 winter season, Linc Energy will undertake an aggressive drilling program, which will include well testing, coring, reservoir analysis and a deep exploration test. The company has set an aggressive timeline to have Umiat in production within five to seven years.

Linc Energy is committed to developing the Umiat oil field. All facilities, pipeline and access scenarios are currently being studied in order to determine the best, most efficient, plan for development.

The company is monitoring the State of Alaska's "Roads to Resources" program and the proposed Foothills West Exploration Road, which could result in a road being built from the Dalton Highway to Umiat. Linc Energy supports the State of Alaska's initiative to get TAPS throughput back up over one million barrels per day and if the Foothills West Exploration Road were to be built, it would have a very positive impact on the Umiat development program. That said, Umiat could be successfully developed without a state road.

In addition to Umiat, Linc Energy has held oil & gas leases in the Cook Inlet. The majority of the GeoPetro leases expired on 1 June 2012 at the end of their primary term, but the company maintains two leases within the proposed Angel Unit. Angel Unit is composed of one State of Alaska and one Alaska Mental Health Trust oil & gas lease located southwest of the LEA #1 location where geological and geophysical data indicate there is a high potential for a conventional natural gas accumulation. The Angel Unit application was submitted to the Alaska Department of Natural Resources, Division of Oil & Gas in May 2012. Although the initial application was rejected, Linc Energy plans to address the perceived deficiencies and resubmit the application to the regulator in the near future.

OIL RESERVES

Linc Energy's net oil reserves at 30 June 2012 are set out in the table below:

Area	Proved Million barrels[4]	Probable Million barrels[4]	Possible Million barrels[4]	Total (3P) Million barrels
Gulf Coast[1]	12.2	0.6	1.0	13.8
Wyoming[2]	0.8	-	-	0.8
Alaska (Umiat)[3]	-	154.6	40.0	194.6
Total	13.0	155.2	41.0	209.2

[1] These figures are based on an independent third party reserves report prepared by Haas Petroleum Engineering Services, Inc. dated 13 September 2012, (effective 1 August 2012) and have not been adjusted for subsequent production. Reserves were estimated based on the definitions and disclosure guidelines contained in the Society of Petroleum Engineers Petroleum Resources Management System (SPE-PRMS).

[2] These figures are based on an independent third party reserves report prepared by Ryder Scott Company, L.P. dated 22 July 2011 and have been adjusted for subsequent production. Reserves were estimated based on the definitions and disclosure guidelines contained in the Society of Petroleum Engineers Petroleum Resources Management System (SPE-PRMS). The reserves do not include any oil that may be recovered through tertiary enhanced oil recovery techniques.

[3] Umiat field has estimated OOIP of 1.0 billion barrels. These figures are based on an independent third party reserves report prepared by Ryder Scott Company, L.P. dated 1 July 2012

[4] These figures do not include any associated gas reserves that may be present and produced along with the oil.

GOING FORWARD

Linc Energy's Oil & Gas Division will continue its aggressive exploration and development program in the US Gulf Coast, with a primary focus of increasing oil production to 10,000 BOPD in 2013, executing its winter evaluation drilling program at Umiat, and commencing the CO_2 flood in the Upper Muddy Formation in the South Glenrock B Unit.

CLEAN ENERGY

STRATEGY AND DELIVERY

Since Linc Energy was publicly listed in 2006, a large focus of the company has been on the development, demonstration and refining of its UCG technologies in preparation for commercialisation.

In October 2011, the ignition of Gasifier 5 (G5) at Linc Energy's Chinchilla UCG Demonstration Facility signified one of the final steps towards commercialisation. Together with Gasifier 4 (G4), G5 produced syncrude at Linc Energy's GTL facility at Chinchilla. A summary of G5's successes are outlined in further detail below.

The Clean Energy Division's successful technology development program has proven the company's ability to optimise project design and engineering cost effectively, warrant UCG gas composition, accurately model cavity growth and ensure environmental sustainability of the technology into the commercial realm.

Over the next 12 months, a clear change in focus will be effected through the careful commercialisation of the technology across a portfolio of projects, with a focus on:

- North America;
- Eastern Europe; and
- Southern Africa

The divisional model articulated by Linc Energy and implemented in April 2012 now acts as a catalyst for clarity of strategy across a focussed team of UCG and downstream technicians which, when complemented by the aggressive commercialisation strategy for Clean Energy currently in play, we expect the next 12 months to validate the entrepreneurial vision upon which Linc Energy was built.

PROJECTS AND OPERATIONS

AUSTRALIA – CHINCHILLA UCG DEMONSTRATION FACILITY

Since its ignition in October 2011, Gasifier 5 (G5) has remained 100% on stream, continuing to provide high quality syngas for downstream use at Chinchilla's GTL facility.

The successful start-up of G5, running simultaneously with G4 for the majority of the period from October 2011, confirmed a number of Linc Energy's core commercial UCG beliefs around the development of the technology to a point of commercialisation. Key outcomes of the G5 trial include:

- Stable syngas quality over an extended period of operation;
- Improved temperature and pressure control, with gas delivered within the hydrogen (H_2) to carbon monoxide (CO) ratio or 2:1 – being ideal for GTL application;
- High concentration of CO within the G5 derived syngas above 10%, by volume, achieved with air injection;
- Repositioning of the gasification zone within G5 to access new coal volumes for conversion into syngas, through the utilisation of horizontal well / coiled tubing technology – which will result in an overall lower cost of syngas produced from Linc Energy's UCG technology;
- The repositioning of the gasification zone also resulted in a further enhancement in syngas quality for GTL application;
- Sustained demonstration of UCG gasification using oxygen enrichment, resulting in higher gasification efficiency and consequently, will result in a lower capital cost for downstream plant in a commercial project;
- Development of custom designed down-hole equipment for oxygen injection was successfully trialled, resulting in improved control of the gasification process in real time; and
- Several patent applications were prepared and lodged, capturing large elements of the R&D activities highlighted above.

During the year, operation of G4, following a period of parallel running with G5, ceased after nearly two years of continuous operation. The decommissioning of G4 continues into the second half of 2012 and demonstrates the unique experience of Linc Energy in operating a gasifier from start up to shut down, meeting strict environmental standards throughout. The decommissioning of gasifiers, including G3, continues to provide Linc Energy with key data and learnings that contribute to the operating philosophy and design of commercial scale gasifiers going forward.

During the 12 months under review, the Chinchilla GTL facility continued to accept syngas from both G4 and G5 and produced large volumes of syncrude – another world first for Linc Energy. In particular, the GTL plant was used to evaluate a new Fischer Tropsch (FT) catalyst, the results of which allowed further optimisation of Linc Energy's commercial FT technology and reactor design.

Linc Energy also produced synthetic jet A1 fuel at its GTL facility, which was successfully blended with conventional jet fuel components and used to fly a Citation CJ2 jet from Perth to Chinchilla in the Linc Energy Jet A1 Dash. The blended fuel was confirmed as compliant to ASTM D7566 requirements and certified for commercial use.

The learnings gained from the integration of UCG syngas and GTL technologies will form a key component in the commercial roll out of UCG, particularly in China as currently proposed.

UNITED STATES - WYOMING

Linc Energy remains the largest holder of State-owned coal leases in one of the world's richest coal basins— the Powder River Basin in Wyoming. The company controls approximately 184,210 acres (745 km^2).

On 30 April 2012, Linc Energy submitted the UCG Demonstration Gasifier 6 Research and Development (R&D) Licence Application to the Wyoming Department of Environmental Quality (WDEQ). The application was the culmination of thousands of hours of dedicated teamwork within Linc Energy's Clean Energy Division.

US Clean Energy team members collaborated with staff at Linc Energy's Brisbane headquarters to complete drilling and coring operations, hydrogeological testing, baseline groundwater sampling, and wildlife and vegetation surveys on the UCG demonstration site located near Wright, Wyoming. The application includes results of detailed hydrogeology models, UCG cavity growth models and subsidence control models prepared using Linc Energy's proprietary UCG modelling technology.

On 29 June 2012, as part of the formal and structured application process, Linc Energy received the first round of feedback from the WDEQ relating to the licence application. The constructive working relationship between the WDEQ and Linc Energy is contributing to a well-developed, robust and transparent application process that is progressing well.

During the period, drilling and seismic data obtained from the 2011 Powder River Basin exploration campaign was evaluated. The team has prepared the initial scope of a commercial opportunity and will spend the coming months evaluating and modelling the technical and financial aspects of the options to capitalise on the highest return project that aligns with Linc Energy's core objective of UCG to GTL to EOR.

UNITED STATES – ALASKA

Linc Energy controls 167,917 acres (680 km^2) of UCG exploration licences in Alaska, granted by the Alaskan Mental Health Trust Authority. The licences are located within the areas of the Cook Inlet and the Interior near Healy, both of which offer great potential for UCG development.

KEY HIGHLIGHTS

2011-12

Commencement of G5 ignition at Chinchilla, Queensland

Celebration of **50 YEARS** of continuous UCG operation at Linc Energy's majority owned Yerostigaz commercial UCG facility in Uzbekistan

Commencement of coal exploration program in **ALASKA**, assessing coal acreage across the State for UCG potential

Acquisition of material coal exploration lease in Poland **APPROX. 1.2** BILLION TONNES and commencement of exploratory work of this resource

FINAL APPLICATION SUBMITTED TO WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY FOR LINC ENERGY'S R&D LICENCE APPLICATION FOR THE GASIFIER 6 UCG DEMONSTRATION PROJECT

Entering into a Memorandum of Understanding (MoU) with Exxaro for the assessment of defined UCG opportunities in South Africa and Botswana

Execution of MoU with UK Coal for the assessment of UCG deployment opportunities at three of UK Coal's resources across the United Kingdom

Successful completion of the Jet A1 Dash – flying a jet aircraft 4,200km across Australia fuelled by Linc Energy UCG to GTL Jet A1 fuel

During the past 12 months, Linc Energy spudded the first core well in its Alaskan UCG exploration drilling program at a location less than three miles from the Beluga Power Station on the west side of the Cook Inlet.

In addition, Linc Energy purchased a state-of-the-art, cable-free nodal seismic system from Fairfield Nodal, the premier cable-free seismic system manufacturer in the world. The system is being utilised to acquire both 2D and 3D survey data across Linc Energy's global operations, including the Interior and Cook Inlet UCG exploration areas. The technology uses environmentally friendly "wireless" geophones, which allow field crews to distribute the seismic data collection equipment on foot or by helicopter without construction of tracks. The system includes advanced recording software that runs on normal high-powered laptops and delivers preliminary data to the operator in the field during data collection. 2D seismic surveys were completed in both the Interior and Cook Inlet regions during the reported year.

This data has provided valuable pre-drilling geologic information to ensure that Linc Energy is drilling optimal locations within each of the respective licence areas. In areas where there is little to no offset drilling data, the seismic data gives "eyes to the drill bit", which should result in considerable cost savings over the life of a UCG site characterisation and development program.

Linc Energy will drill more exploration holes during the coming 2012-13 year for site characterisation, with the goal of targeting specific sites for commercialisation and developing the best business opportunities. Drilling in 2012 and 2013 will be undertaken with the newly constructed fit-for-purpose rotary-core rig commissioned by Linc Energy and constructed by Buffalo Custom Manufacturing, a world-leader in the manufacture of highly durable, helicopter-portable drill rigs for mining and mineral sector applications.

The company ordered the construction of the "BCR" after the first core hole was drilled in west Cook Inlet. Alaska's basins, covered with a deep mantle of glacial gravels and till, require more than a standard small core rig to drill efficiently and cost effectively. With its dual capabilities of both rotary and core drilling, the BCR will drill at a faster rate and offer greater borehole stability and control than a traditional core rig. These will be key factors as Linc Energy develops commercial UCG projects in Cook Inlet and the Interior regions of Alaska.

POLAND

In October 2011, Linc Energy was confirmed as the recipient of a significant coal exploration lease in the highly prospective Upper Silesian Coal Basin.

Since this time, significant work has continued on the evaluation of that resource. Consultancies with Glówny Instytut Górnictwa (GIG), also known as the Central Mining Institute, have been undertaken to better assess geological logs drilled earlier in the area. Together with hydrogeological and coal quality reports, this has supported the ongoing robust approach from Linc Energy to this resource.

During the past six months, Linc Energy has appointed a preferred drilling contractor to commence its required drilling program under the terms of the exploration lease, the data from which should provide added certainty over the quality and suitability of the coal within the lease area.

Poland provides a real opportunity for Linc Energy to commercialise UCG early in Europe. With a supportive government keen to optimise its vast coal resources, together with a growing demand for gas and power from industry, Linc Energy is eagerly assessing the opportunities for a commercial scale UCG project in Poland in the near future. Significant stakeholder activities have commenced in Poland with relevant local councils, together with regulators and administrators across government, with the intention of inviting a Polish delegation to visit the Chinchilla facility in the second half of 2012.

A modest project office was also established in Krakow over the past 12 months to administer the UCG exploration activities. The office, staffed with a small team of expert technicians, will work closely with Linc Energy's stakeholders and wider UCG capability to fully assess all opportunities across Poland.

UNITED KINGDOM

Following the execution of an MoU with UK Coal in September 2011, significant activity has been undertaken in collaboration with UK Coal to fully assess the opportunity for UCG deployment in the UK.

The majority of analysis to-date has been with respect to the resource and its suitability for UCG. Contributions from UK Coal's geological archive have supported the expeditious review of the resource and, together with Linc Energy's geological consultants, Wardell Armstrong, the company has developed a good understanding of the resource and the ability to commercialise UCG in the areas under investigation.

The review of the resource has also identified some key areas for further evaluation which is ongoing, including modelling of the UCG cavity as part of the UCG process. It is expected that this further detailed review will be completed in the second half of 2012, with a decision made between the two organisations over the future prospect of UCG at these locations thereafter.

Linc Energy has been very appreciative of the contribution and value provided by UK Coal over the past six months as part of the evaluation, with a very good working relationship now in place to support any future commercial project proposal in the UK.

AFRICA

As previously reported to the market, Linc Energy and Exxaro Resources executed an MoU in November 2011 to jointly study the potential for UCG development opportunities in South Africa and Botswana on Exxaro's coal resources in that region.

The study was undertaken by a joint and fully integrated project team and focussed on specific project opportunities in both countries. The report has drawn on the vast quantum of resource data gained from Exxaro - saving significant funds on any initial review of the resource - and providing timely access to all reports that would underpin a commercial UCG development in that region.

The study is nearing completion and remains subject to internal review by both Exxaro and Linc Energy's management. Suffice to say, the prospect of UCG in South Africa and Botswana appears positive.

Over the coming six months, both companies will be working collaboratively to further the terms under which any UCG commercial project is taken forward into the next phase of project development.

GOING FORWARD

Over the next 12 months, the Clean Energy Division's focus will remain on the development of its core portfolio of UCG prospects. However with Linc Energy's market leading positioning in UCG and a growing recognition of the opportunity UCG brings to enhance regional energy security from indigenous sources, there are additional projects under investigation which, if positive, could result in an expeditious deployment of UCG.

In particular, opportunities for the deployment of UCG integrated with Enhanced Oil Recovery remains a focus of any new development, and Linc Energy's Clean Energy Division will continue to work constructively with its Oil & Gas Division to extract maximum shareholder value.

COAL

STRATEGY AND DELIVERY

Linc Energy has significant coal assets acquired as part of the search for tenements suitable for UCG. A number of these tenements were reviewed for UCG potential and deemed to be more suitable for conventional mining. These conventional mining tenements are now at different stages of exploration and development, with the Teresa and Pentland projects being the closest to first coal. Linc Energy believes that this large portfolio of assets and the opportunities they present are being significantly undervalued by the market.

The assets of the Coal Division consist of 19 EPCs, 7 EPCas, 7 ELs, 1 ELa, 24 US coal leases, representing over 1,964,490 acres (7950 km^2) of exploration and mining tenure; plus 2 MLas, an MDL, a PLa, 722Mt of JORC Resource (201Mt indicated, 521Mt inferred), the significant project development work that has been completed to-date on Teresa and Pentland, and an experienced development and operations team.

The sale of the Carmichael tenements, a conventional coal mining asset, to Adani in 2010 has funded Linc Energy's core business of clean energy though its development over the past two years, and funded the purchase of Linc Energy's oil & gas assets. Linc Energy believes the further monetisation of the conventional coal assets can be achieved but only if the company first addresses the causes of the current valuation and continues to de-risk its projects - adding value to the assets by developing them to recognised milestones. A strategy and business plan has been developed to this end and implementation has commenced during the past year and will continue through the 2012-13 financial year.

The long term monetisation plan for the conventional coal assets targets divestment of this group of assets from Linc Energy through an IPO, JV, merger or a complete sale. This may include interim financing arrangements, such as the sale of individual assets, to ensure the best long-term outcome for Linc Energy's shareholders.

As part of this monetisation strategy, a Coal Division was established within Linc Energy, taking responsibility for all the conventional coal assets and opportunities within Linc Energy both in Australia and overseas. At this time, this includes assets in Queensland, South Australia and the USA. In addition to providing structure and focus on the delivery of this strategy, it provides a level of transparency to the market and allows comparison of Linc Energy's conventional coal assets to those of other exploration and development companies within the coal space in Australia and overseas.

In addition to the establishment of a Coal Division during the past financial year, significant progress was achieved on the development of the Teresa and Pentland projects, and a review of the other assets in the Division was commenced using an external geological and exploration consultant.

KEY HIGHLIGHTS

2011-12

Employment of staff into key roles in the new Coal Division organisation structure

RECEIPT OF THE MINERAL DEVELOPMENT LICENCE (MDL361) FOR THE PENTLAND MINE

ESTABLISHMENT OF THE **COAL DIVISION** AND RATIFICATION OF ITS BUSINESS STRATEGY

PUBLICATION OF THE TERMS OF REFERENCE FOR THE TERESA MINE ENVIRONMENTAL IMPACT STATEMENT (EIS)

PUBLICATION OF THE INITIAL ACTIVITY STATEMENT (IAS) FOR THE TERESA MINE

TRANSITION FROM THE CONCEPTUAL STUDY PHASE FOR THE TERESA MINE TO THE **PREFEASIBILITY STUDY (PFS) STAGE**

COMMENCEMENT OF BASE-LINE STUDIES FOR THE EIS FOR THE TERESA MINE

COMMENCEMENT OF AN ASSET REVIEW PROCESS BY AN INDEPENDENT GEOLOGICAL CONSULTANT

COMMENCEMENT OF THE PFS DRILLING PROGRAM FOR THE TERESA MINE

OUR PEOPLE

As part of the establishment of the Coal Division, Linc Energy has recruited three senior operational mining staff to progress the Coal Division strategy. Michael Mapp has taken the role of President of the Coal Division, Jason O'Rourke the role of General Manager of Project Development, and Greg Gleeson the role of General Manager Operations. These individuals bring over 65 years of coal mine operation and development experience to the Division.

MICHAEL MAPP

President

Michael Mapp commenced with Linc Energy in February 2012 and brought to the Coal Division over 25 years of operational and development experience at coal mines in Australia and overseas. Immediately prior to Michael's role with Linc Energy, Michael was the Chief Operating Officer of Intra Energy Corporation, where he was responsible for the start-up and operation of a greenfield coal mine in Tanzania. Michael has also held roles at Xstrata Coal and at Vale Australia including the Director of Australian Coal Operations and Executive General Manager – NSW Operations respectively.

JASON O'ROURKE

General Manager Development

Jason O'Rourke has 20 years of experience in the coal mining industry. Jason joined the Coal Division from his own project management consultancy business where he was responsible for delivery of operational coal mine projects in NSW.

Jason has previously held the positions of Manager Major Projects – Western Division for the Xstrata Group and Group Manager for Maintenance, Engineering and Technology with the Vale Global Coal business, where he was responsible for the development, implementation and compliance of engineering and maintenance systems for coal operations in Australia, Africa and Colombia.

GREG GLEESON

General Manager Operations

Greg Gleeson has 23 years' experience in the coal mining industry in underground and open-cut operations. Greg joined the Coal Division after more than five years in Maintenance & Engineering management and Production Operational management roles at Vale's Integra Coal operation in NSW. Before this, Greg worked for Resource Pacific as the Engineering Manager and was accountable for the greenfield commissioning and start-up of a new Longwall operation. Greg has also worked for Anglo American Coal as Maintenance & Engineering Manager at Moranbah North Coal and German Creek Coal Lake Lindsay, and as Manager of Mechanical Engineering at Dartbrook Coal.

SEBASTIAN BURGMAN

General Manager Commercial

Sebastian Burgman commenced with Linc Energy in February 2011 and has worked across Linc Energy's business as a Commercial Manager prior to joining the Coal Division. Sebastian brought to Linc Energy over 15 years of commercial and business improvement experience from a number of industries. Most recently Sebastian held the role of Director Corporate at SMEC Holdings, an international engineering and development consulting company with over 4000 staff in 22 countries, where among other things Sebastian was responsible for preparing the business for an IPO. Sebastian holds degrees in Engineering and Information Technology from QUT and an MBA from the University of Notre Dame in the USA.

I'M EXCITED ABOUT THE OPPORTUNITY TO CREATE A STAND-ALONE CONVENTIONAL COAL EXPLORATION AND DEVELOPMENT BUSINESS, AND MAXIMISE THE VALUE IN THESE COAL ASSETS FOR LINC ENERGY'S SHAREHOLDERS.

SEBASTIAN BURGMAN // GENERAL MANAGER COAL COMMERCIAL // BRISBANE

PROJECTS AND OPERATIONS

QUEENSLAND ASSETS

BILOELA BASIN

Linc Energy holds EPC 908, EPC 909, EPC 1248, EPC 1323 and EPC 1536 in the Biloela Basin covering 341,747 acres (1383 km²). A drilling program in this region was completed in late 2010 and confirmed the presence of an elongate sedimentary Basin hosting brown coal (lignite) accumulations. EPC 1536 was granted during the period and will be the target of further drilling. Studies continue to develop an approach to this deposit.

BOWEN BASIN – TERESA PROJECT

Linc Energy holds EPC 980, EPC1226 and EPC1267 and is the priority applicant for EPCa2841, in the Bowen Basin covering 371 km². Linc Energy has also applied for two Mining Leases (MLA 70405, MLA 70442) and a Petroleum Lease (PLA 286). This combination of EPCs, EPCa, MLAs and PLA is known as the Teresa Project and is the Coal Division's priority development asset.

The team has expended a great deal of effort into the Teresa asset sale process during the past year including the continued development of the asset to add value - in particular, a focus on resource infill drilling and gathering technical data to support the mine study and evaluation. The mine proceeded through to Conceptual Study in February 2012 and into the formal Prefeasibility Study Stage. This project is expected to move into Feasibility Study in mid-2013 once the EIS has been submitted and a PFS report has been completed.

During the year the Teresa Project reached a number of development milestones including:

- The Environmental Authority Application under the Environmental Protection Act 1994 (EP Act) was made on 16 February 2011 for the Teresa project and it was determined by the Department of Environment and Heritage Protection (EHP) to require an Environmental Impact Statement (EIS);
- The Teresa project was determined to be a controlled action under the Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act) by the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) on 7 October 2011;
- The Initial Activity Statement (IAS) for Teresa was published on EHP's website in November 2011 (http://www.ehp.qld.gov.au/management/impact-assessment/eis-processes/teresa_coal_project.html);
- The draft Terms of Reference (TOR) was submitted to EHP and published for public comment in November 2011; and
- After taking into consideration public comment, the final TOR for the EIS was issued to the Teresa project by EHP on 9 March 2012.

The baseline studies for the EIS commenced in the 2010-2011 financial year to reduce the timeline for submission of the EIS.

ENVIRONMENTAL IMPACT STATEMENT

Linc Energy is currently undertaking an Environmental Impact Statement (EIS). The EIS enables the Queensland and Australian Governments to assess and approve the project and ensure that potential environmental and social impacts are mitigated. Linc Energy commenced the development of its EIS in 2011 with baseline field studies including ecology (plants and animals identification), water sampling, flood modelling, soil, air quality, noise, traffic and social studies; the majority of which have been completed.

A census of existing bores on the Mining Lease and surrounding areas will soon be undertaken as an input to a groundwater model, which is under development for the EIS and on-going monitoring and management. The EIS development has now moved into the impact assessment phase and Linc Energy is targeting submission of the EIS to DEHP in 2013.

As part of the EIS process requirements, a project-specific draft Terms of Reference (TOR) was developed by Linc Energy and was released for public comment in November 2011. The draft TOR outlined the scope of the environmental, social and economic studies that will be carried out in order to identify the environmental values and impacts of the project. This draft TOR was made available for the public and other stakeholders (such as government departments) to comment on what values, impacts and commitments should be considered in the EIS. Linc Energy has since incorporated the suggested changes and a final TOR was released by DERM in March 2011.

Once the studies are complete the teams will incorporate the detail into the EIS, describing the existing environment, identifying potential impacts and detailing mitigation measures that will be included in the mine planning.

STAKEHOLDERS

As part of the EIS a Social Impact Assessment (SIA) is being conducted to identify and respond to social, cultural and economic impacts derived from the project. A number of SIA activities have already been completed including a review of available SIA information, the collection of key demographic information, and meetings with major project stakeholders (i.e. local government, industry groups and service providers) to identify prominent concerns in the area. Community information sessions have been held to gather essential community feedback regarding the social, economic or environmental impacts and to identify appropriate ways of dealing with them.

Local stakeholder interactions remain positive even with the increased development activity in the area. Linc Energy has representatives available in Emerald 24 hours a day, seven days a week during periods of drilling and EIS study activity to work with landholders in the area on access to properties and to minimise impact on farming operations. Initial discussions have also commenced with landholders around the surface layout of mine infrastructure to ensure that a long term, positive relationship is developed. The process for negotiation of a long term Cultural Heritage Management Plan has commenced with the local Traditional Owners, who are already involved in our site related activities.

DRILLING

The Prefeasibility Study (PFS) drilling program commenced in September 2011, with only a small number of holes being drilled prior to the wet season; the program recommenced in April 2012 and continues. Poor weather conditions and two years of high rainfall continue to hamper the drilling program but all efforts are being directed at completing this program prior to the commencement of the next wet season at the end of 2012. The target of the PFS program is an upgrade of the JORC statement to a Marketable Reserve and to allow the groundwater monitoring required for the EIS to commence. It is worth noting that this current drill program will more than double the information we currently know about the Teresa coal property, and add a lot of overall value to the project.

INFRASTRUCTURE

Mine infrastructure discussions continue to progress to schedule with providers of port, rail, power, water and accommodation. Early engagement has also commenced with surface works and mining contractors. Aerial surveys of the mining lease and surrounding areas - including aerial photography and Light Detection and Ranging (LIDAR) - have been completed to enable surface infrastructure design to proceed to the next stage.

GALILEE BASIN – PENTLAND PROJECT

Linc Energy holds EPC 526 and MDL 361 in the Galilee Basin covering over 10,131 acres (41 km²). This tenure combination is known as the Pentland Project. MDL 361 was granted during the period.

The Pentland Coal Asset is a three to four Mtpa asset capable of being an open cut mined - suitable for power station consumption locally or exported to markets in China or India. The asset is close to infrastructure with the Mount Isa to Townsville rail line running through the tenement.

Linc Energy continues to consider the highest return to shareholders from the Pentland coal asset. The company continues to provide technical and commercial details to interested parties as well as considering development plans with potential to commence an EIS on this project and move into the PFS Stage.

IPSWICH BASIN

Linc Energy retains one Exploration Permit for Coal (EPC 910) in the Ipswich Basin covering over 34,347 acres (139 km²). This EPC will be reviewed as part of the asset review program.

DRUMMOND BASIN

Linc Energy holds EPC 1227 and EPCa 1228 covering 375,600 acres (1520 km²) of exploration opportunity in the Drummond Basin west of Clermont. The proposed Hancock Prospecting rail line from the Galilee Basin to Abbot Point traverses EPCa 1228. This asset will be reviewed as part of the asset review program.

MILLUNGERA BASIN (NORTHERN GALILEE BASIN) – GREAT NORTHERN LEASES

Linc Energy holds EPC 1525, EPC 1526, EPC 1527, EPC 1549, EPC 1550, EPCa 2541, EPCa 2543, EPCa 2549, EPCa 2551, and EPCa 2552 covering 2,230,620 acres (9027 km²). These tenements are known as the 'Great Northern Leases'.

As part of the asset review program further drilling locations have been identified within the granted EPCs and a drilling plan has been readied to return to the area in late 2012.

SURAT BASIN – CHINCHILLA, DALBY AND WILKIE PROJECTS

Linc Energy is well established in the Surat Basin with 366,210 acres (1482 km²) of coal tenements. Linc Energy's MDL 309 is home to the company's UCG and GTL Demonstration Facility.

The tenure in the Surat can be grouped into two groups - 'Chinchilla' the UCG GTL site covering EPC 635, EPC 897, EPC 898, EPC 899, EPC 1046, EPC 1247, MLA 50242, MDL 309, MDLa 407 and PLa 284; and the 'Dalby' project including EPC 902, EPC 938, EPC 1537, EPC 1770, and MDLa 371.

The assets at Dalby (JORC resource information page 33) covering 204,109 acres (826 km²) will be developed by the Coal Division. The Chinchilla asset will be developed by the Clean Energy Division while it remains the pilot site for Linc Energy's UCG and GTL Demonstration Facility.

The opportunities for development at the Dalby project will be considered as part of the asset review.

THE NEXT 12 MONTHS WILL PROVIDE OUR TEAM A UNIQUE OPPORTUNITY TO BE PART OF THE DEVELOPMENT AND DIVESTMENT OF A COAL BUSINESS. THE VALUE THIS CREATES FOR LINC ENERGY'S SHAREHOLDERS AND THE EXPERIENCE IT PROVIDES OUR STAFF MAKES FOR EXCITING TIMES AHEAD!

JASON O'ROURKE // GENERAL MANAGER PROJECT DEVELOPMENT COAL // BRISBANE

PROJECTS AND OPERATIONS

SOUTH AUSTRALIAN ASSETS

ARCKARINGA BASIN

Linc Energy's Arckaringa Basin coal tenure consists of EL 4272, EL 4273, EL 4501, EL 4502 and ELa 178/11 and covers 2707 km².

The Arckaringa Basin ELs will be reviewed as part of the overall Coal Division asset review.

WALLOWAY BASIN

Linc Energy's Walloway Basin coal tenure consists of EL 4148, EL 4454 and EL 4540 and covers 235,491 acres (953km²).

The Walloway Basin ELs will be reviewed as part of the overall Coal Division asset review.

USA ASSETS

WILLISTON BASIN – STATELINE PROJECT

Linc Energy holds 30 leases for coal in the Montana and North-Dakota border region covering 3,583 acres (14.5km²). This area was drilled extensively during the 1970s and 1980s and a large low strip ratio lignite deposit identified.

The Stateline leases will be reviewed as part of the overall Coal Division asset review.

JORC CERTIFIED COAL ASSETS

Of the tenements controlled by Linc Energy, at the date of this report the following tenements had a JORC certified resource:

Tenement name / reference	Size and location	Measured resources Mt	Indicated resources Mt	Inferred resources Mt	Total resource[1] Mt	Type of coal	Mining method	JORC report date
Teresa	357 sq. km,	-	25	285	310	Thermal / Metallurgical	Under-ground	16 Feb 2010
EPC 980, EPC 1267, EPC 1226, EPCa 2841 MLA 70405, MLA 70442	Bowen Basin Qld							
Pentland	27 sq. km,	-	176	90	266	Thermal	Open cut	1 Oct 2008
EPC 526, MDL 361	Galilee Basin, Qld							
Dalby	377 sq. km, Surat Basin, Qld	-		146	146	Thermal	Open cut	20 May 2009
MDLa 371, EPC 1770								
Total		-	201	521	722			

[1] Resources certified in accordance with the JORC code. Competent Person's Statement - The information in this report relating to resources is based on information compiled by Troy Turner, who is a member of the Australian Institute of Mining and Metallurgy and who is employed by Xenith Consulting Pty Ltd. Troy Turner has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a competent person as defined in the 2004 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Troy Turner consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

CARMICHAEL ROYALTY (ADANI)

OVERVIEW

Adani Mining Pty Ltd ("Adani"), a subsidiary of India's Adani Group, acquired the Carmichael Coal tenement from Linc Energy in August 2010 for $500 million in cash. Linc Energy also retains a significant royalty ($2 per tonne (indexed to CPI) over the first 20 years of production).

With one of the largest single coal resources in Australia, Adani has indicated that the tenement has the potential to produce 60 million tonnes of coal per annum. The Carmichael mine and rail project was declared a significant project by the Queensland Government in November 2010.

Since the acquisition, Adani has undertaken an extensive drilling campaign, progressed their mine planning studies and has already completed substantial work on the Environmental Impact Statement (EIS) for both the mine and the rail. Importantly, Adani has also made significant progress on the infrastructure to support the development including acquiring the Abbot Point coal terminal which provides the basis of its proposed T0 expansion, and working with North Queensland Bulk Ports (NQBP) as a preferred proponent at the proposed Dudgeon Point coal terminal.

ABOUT ADANI

Adani is a business behemoth with a global footprint across coal mining, power generation, infrastructure, ports, logistics and energy. It is a name well established among the distinguished corporate entities of India with a highly motivated taskforce of professionals who have delivered major projects across the world.

Adani has set itself the following goals to achieve by 2020:

- 20,000 Megawatts of thermal power generation;
- 200Mt of coal resources (mined and managed);
- 200Mt of cargo handling capability; and
- 20 capesize ships with a 170,000 SWT capacity.

The Carmichael tenement is predominantly targeted at meeting the fuel requirements for Adani's own power plants plus its trading portfolio.

PROJECT UPDATE

Adani has indicated that the Carmichael mine will start overburden removal operations towards the end of 2013 with exports expected to occur in first quarter 2016. The ramp up to full production (60 Mtpa) is expected to occur on or before 2022.

The field assessment work needed for the EIS submission is well underway, including hydrology, hydrogeology, flora, fauna and ground water studies and Adani expects to finalise the EIS in mid-2013. Adani has undergone an extensive exploration program on the asset with the goal to finalising the mine plan ahead of development and construction work towards the end of 2013.

We understand that Adani has satisfactorily resolved a majority of the landowner issues relating to the Carmichael tenement and is working with landowners along the rail route. Adani is working closely with the landowners to resolve any outstanding issues and does not see the project being impeded in any manner by land access issues.

Adani is planning the construction of a 185 kilometre rail line from the proposed Carmichael mine to Moranbah. This route has been selected as it offers the most reliable options with the added flexibility to export through Dudgeon Point via the Goonyella system or through Abbot Point via the Newlands system. Importantly, Adani, subject to commercial negotiations, will also be able to access any of the proposed Galilee to Abbot Point networks once they are operational.

On 6 June 2012, the Queensland Government announced two rail corridors to service new and existing coal mines in both the Galilee and Bowen Basins. The east-west corridor is substantially the same as the Adani proposed corridor in its EIS and Adani is negotiating with QR National to determine the best options to reach Abbot Point as well as Dudgeon Point and thus maintain flexibility to transport its cargo.

Importantly, the Government stated that they will work towards declaring State Development Areas to define these two preferred corridors within which the Government's powers of compulsory land acquisition can be exercised to fast track the development.

The Adani Group has established itself as one of the key players in the tightly held and extremely valuable Australian port business. This complements their existing port business in India but, more importantly, provides them with multiple options to export the large volumes of coal from the Carmichael mine.

In June 2011, Adani purchased Terminal One at Abbot Point for c. $1.83 billion. This terminal has the capacity to export c. 50 Mtpa.

Adani plans a new development in the Port of Abbot Point precinct predominantly for its own use with some third party cargo as well (T0 development) with an ultimate capacity of about 70 Mtpa and is undertaking, jointly with NQBP, BHP and GVK a Cumulative Impact Assessment. The T0 terminal is targeted for completion contemporaneously with the Carmichael mine.

Separately, some 30 kilometres south of Mackay, Adani and Dudgeon Point Project Management, a subsidiary of the Brookfield Infrastructure Group, are the preferred proponents for the proposed Dudgeon Point Coal Terminal, a dedicated coal export facility adjacent to the existing terminals of Hay Point and Dalrymple Bay. Both proponents were awarded equivalent areas for the development of two new coal terminals on 14 December 2011. The proposed terminals will provide export capacity of up to 180 million tonnes per year. The Dudgeon Point Coal Terminal was declared a significant project by the Queensland Government in October 2011. The proposed coal terminal at Dudgeon Point is still subject to the requisite EIS and bankable feasibility studies. The EIS is targeted for approval by September 2013 with construction to be completed by 1st quarter of 2017.

GOING FORWARD

Over the next financial year the Coal Division will focus on delivering on its strategy through the implementation of its business plan against an approved budget. The primary focus of this strategy is the monetisation of the conventional coal assets of Linc Energy, and the continuation of project development to recognised milestones adding value to these assets and to Linc Energy's shareholders.

SAPEX

STRATEGY AND DELIVERY

SAPEX was acquired by Linc Energy in October 2008 and has recently been established as one of four operational divisions within Linc Energy. It is based at Linc Energy's Adelaide office and is responsible for the exploration and development of the company's South Australian assets. These assets include extensive Petroleum Exploration Licences, covering over 70,000km^2 and a number of Exploration Licences for coal in the Arckaringa and Walloway Basins.

During the period, the company submitted competitive tenders to the South Australian Government for three new Petroleum Exploration Licences located in an unexplored area of north-eastern South Australia. Two of these tenders were successful (PEL 568 and PEL 569) and the licences (with five-year terms) were issued in June 2012.

PROJECTS AND OPERATIONS

ARCKARINGA BASIN

Work continued on interpretation of the large (1153km) 2D seismic survey shot in early 2011. This survey has penetrated the deeper sections of the Arckaringa Basin in greater detail than ever seen before and has revealed geological structures with potential to contain hydrocarbon traps are present in significant portions of the deeper Basin.

Three petroleum wells were drilled to investigate geological structures delineated in the seismic work. These wells provided valuable information on the rocks in the deeper part of the Basin, but did not encounter significant hydrocarbon pools. Work continued on the analysis of the oil samples recovered in the Maglia-1 and Wirrangulla Hill 1 well drilled in late 2010 and mid-2011, with the goal of determining the source of the oil and its migration path into the shallow formation.

Two stratigraphic wells were drilled into the Stuart Range Formation to take core samples of the rich organic shales present. Detailed geochemical, petrographic and petrophysical analyses have been completed on the cores with encouraging results. These core samples have confirmed the Stuart Range Formation contains shales with high organic content and many other characteristics typical of unconventional shale oil deposits being rapidly developed in other parts of the world.

Four coal exploration holes were also drilled, which indicated a northerly extension to the East Wintinna Deposit and added significantly to the understanding of the large coal deposits in the Arckaringa Basin

Plans are underway to commence a substantial seismic program in the current year aimed at providing detailed 3D coverage of the known geologic structures containing the rich shale zones of the Stuart Range Formation, and additional 2D regional lines that will delineate the structural and stratigraphic framework in unexplored parts of the Basin. This 3D program will also provide our first detailed look at some of the most interesting conventional leads in the Basin. The seismic acquisition program will provide a continuous stream of additional information critical to identifying and unlocking the value in Linc Energy's Arckaringa Basin licences.

Technical work continues on the evaluation of our vast Arckaringa Basin coal resources contained within the Mt. Toondina Formation. Rights to development of coal resources by Underground Coal Gasification methods (UCG) are included in Petroleum Exploration Licences in South Australia. In addition to the PELs, SAPEX also currently owns five Exploration Licences totalling 683,741 acres (2,767 km^2) in the Arckaringa Basin. South Australian regulations allow for coal resources contained in the Exploration Licences to be eligible for development by surface and underground mining methods.

WALLOWAY BASIN

Technical review continues on the thick lignite contained within Petroleum Exploration Licence 120 and three Exploration Licences in the Walloway Basin. A major drilling program was completed last year confirming the presence of over 800 million tonnes of lignite. Monitoring wells have been collecting hydrologic data throughout the year. The combination of PEL and ELs allow SAPEX to develop the coal by either UCG or open cut/underground mining.

GOING FORWARD

Sale of Interest in Stuart Range Formation Shale Assets

Linc Energy has prepared comprehensive reports of the data related to the Stuart Range Formation shale deposits. This data will be made available to interested parties selected as potential development partners. In the next year SAPEX intends to commercialise the oil shale potential of the Stuart Range Formation in such a way as to maximise its value to Linc Energy.

KEY HIGHLIGHTS
2011-12

FORMATION OIL RECOVERED DURING DRILLING OF WIRRANGULLA HILL 1

DISCOVERY OF POTENTIAL HIGH ORGANIC CONTENT SHALE WITHIN THE STUART RANGE FORMATION IN THE BOORTHANNA TROUGH (ARCKARINGA BASIN). THIS SHALE HAS THE POTENTIAL TO BE A SIGNIFICANT OIL RESOURCE

AWARDED TWO NEW PETROLEUM EXPLORATION LICENCES IN NORTHERN SOUTH AUSTRALIA, ADJACENT TO THE HIGHLY PRODUCTIVE COOPER BASIN

MT ANDREWS 1 AND 2 CONFIRMED

AN EXTENSION TO THE EAST WINTINNA COAL FIELD, SIGNIFICANTLY INCREASING ITS ESTIMATED SIZE

COMPLETION AND INTERPRETATION OF 1153 KM OF 2D SEISMIC AND IDENTIFICATION OF SEVERAL LEADS AND PROSPECTS

APPLICATION FOR A NEW PETROLEUM EXPLORATION LICENCE COVERING A LARGE PROPORTION OF THE YORK PENINSULA IN SOUTHERN SOUTH AUSTRALIA

CORPORATE

THE **BOARD**

KEN DARK
Acting Chairman and
Non-Executive Director

Ken Dark was appointed to the Linc Energy Board in October 2004. Ken began his early working life as an electrician. After gaining tertiary engineering qualifications, Ken moved into industrial process instrumentation and control. During the 1970s Ken was instrumental in the conceptualisation and design of what was then a state-of-the-art, revolutionary aluminium smelting process control system. To this day, the concepts Ken pioneered are still the mainstay of process control for the international aluminium smelting industry. Stepping out of his specialist field, he was then appointed to the management of a multi-disciplined smelter engineering team. This team conducted all project engineering work for Alcan's Australian smelter.

Ken left the corporate world to establish a highly successful business in the fuel distribution and retail industry. He has represented fuel distributors and retailers, chairing the national marketing committees for two major fuel companies and leading the national franchise negotiation committee to the successful renewal of contracts with one of the oil majors. His current business includes the operation of a small independent chain of service stations in the Hunter Valley. Over the years Ken has managed to find time to own and operate a sheep/beef enterprise in New South Wales, with time spent in freelance management consulting to round out his experience.

PETER BOND
Managing Director and
Chief Executive Officer

Peter Bond has a successful track record in the coal and mining industries, both in Australia and overseas. His business interests include mineral, mining and associated operations in Australia and South East Asia.

Peter was appointed to the Linc Energy Board in October 2004 and has been pivotal to its success since it listed on the Australian Securities Exchange in May 2006. He has personally seen the company evolve from a small-cap business into an ASX 200 company, and seen the company grow in talent from a small team to over 400 employees around the world.

Building on his early engineering background, Peter has gained a unique knowledge and understanding of the coal industry over the course of a diversified career spanning more than 20 years. Peter has experience in the design, installation, commissioning and operation of complex processing plants and projects, and his various companies are recognised in the mineral processing industry for both innovation and efficiency.

JON MATHEWS
Non-Executive Director

Jon Mathews brings to Linc Energy over 30 years of experience in the coal industry. Jon began his career as a cadet Mine Manager with the Queensland Coal Association, obtaining a first-class managers certificate for underground and open cut operations. At age 29, he managed Queensland's largest underground producing coal mine at the time. He then become a General Manager of a mining company that dealt in both open cut and underground operations, eventually being responsible for the Queensland coal assets for several coal companies.

Over the years, Jon has been a member of the Executive Committee of the Queensland Coal Association, Chairman of the Underground Mine Managers Committee (Queensland), Director of West Moreton Coal Exporters, and Director of Parkhead Rail Terminal. In recent years, since the closing of mining in the West Moreton District, he has been heavily involved in mine consulting, risk assessments and the waste management industry. Jon is also a Director of two private companies.

CRAIG RICATO
Executive Director
Legal and Corporate Affairs

Craig Ricato is Linc Energy's Director, Legal and Corporate Affairs. Craig is responsible for all transactional and corporate legal matters, including Linc Energy's compliance with listing requirements in Australia and regulatory requirements within Australia and overseas. Craig also provides legal guidance to the Board, manages the various corporate functions within the Group and works with the United States team on Linc Energy's oil & gas acquisition program.

Craig Ricato brings a broad range of international experience to Linc Energy across the regulatory, accounting and legal industries. Craig obtained a Bachelor of Commerce degree in 1991 and was admitted as a Legal Practitioner of the Supreme Court in 2001 after graduating with a Bachelor of Laws with First Class Honours. His early career background prior to joining the legal profession was in Forensic Accounting and law enforcement.

EXECUTIVE **LEADERSHIP TEAM**

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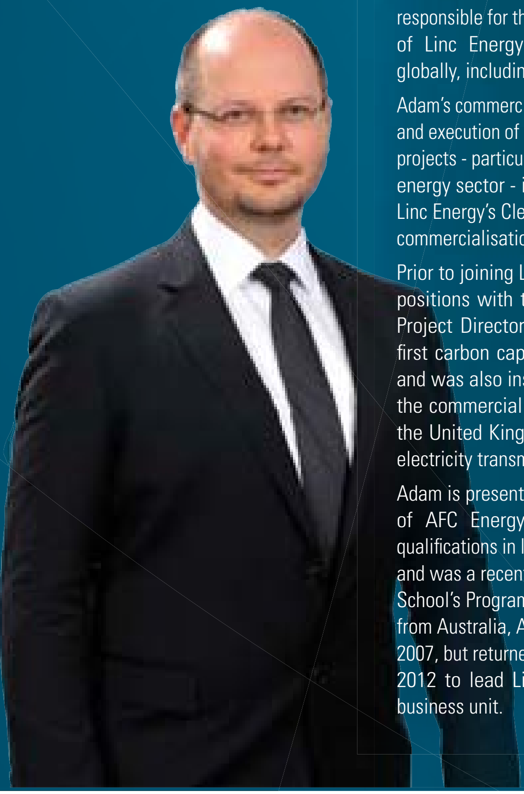
SCOTT BROUSSARD
President Oil & Gas

Scott Broussard has over 30 years of executive and operations experience in the Gulf Coast. He most recently served as General Manager – Gulf Coast Region for Linc Energy. Prior to joining Linc Energy in October 2011, Scott acted as CEO and Chairman of Probe Resources, a TSX-V listed exploration and production company with assets in the U.S. Gulf of Mexico. Prior to Probe, he was responsible for the evolution of Spinnaker Exploration Company from a non-operating entity to one of the premier operating companies in the Gulf of Mexico. He was also previously a partner in an engineering consulting firm (HTK Consultants) that provided engineering and operations expertise both offshore and onshore on the Gulf Coast.

Scott holds a Bachelor of Science degree from Louisiana State University.



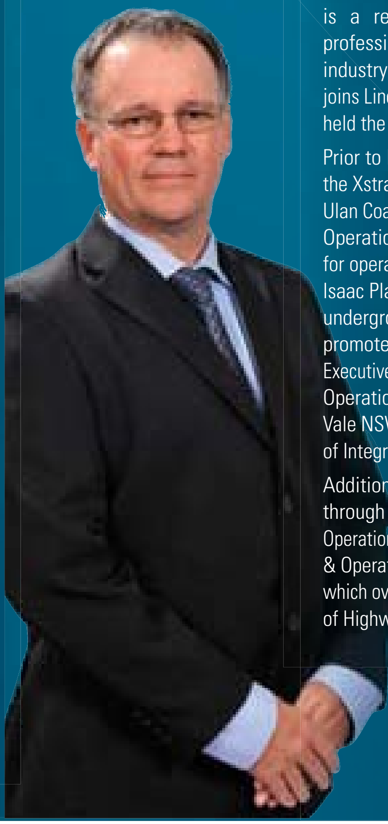
ADAM BOND
President Clean Energy

Adam Bond joined Linc Energy as President – European Operations in 2011. He is now President Clean Energy where he is responsible for the execution and deployment of Linc Energy's Clean Energy strategy globally, including UCG to GTL projects.

Adam's commercial background in the leading and execution of large, complex infrastructure projects - particularly within the international energy sector - is key to the refocussing of Linc Energy's Clean Energy Division towards commercialisation, of UCG in particular.

Prior to joining Linc Energy, Adam held key positions with the British Government as Project Director on the United Kingdom's first carbon capture and storage program and was also instrumental in the design of the commercial framework for delivery of the United Kingdom's £10 billion offshore electricity transmission network.

Adam is presently a Non-Executive Director of AFC Energy PLC and holds tertiary qualifications in law, commerce and taxation, and was a recent participant in Harvard Law School's Program on Negotiation. Originally from Australia, Adam relocated to London in 2007, but returned to Australia in September 2012 to lead Linc Energy's Clean Energy business unit.

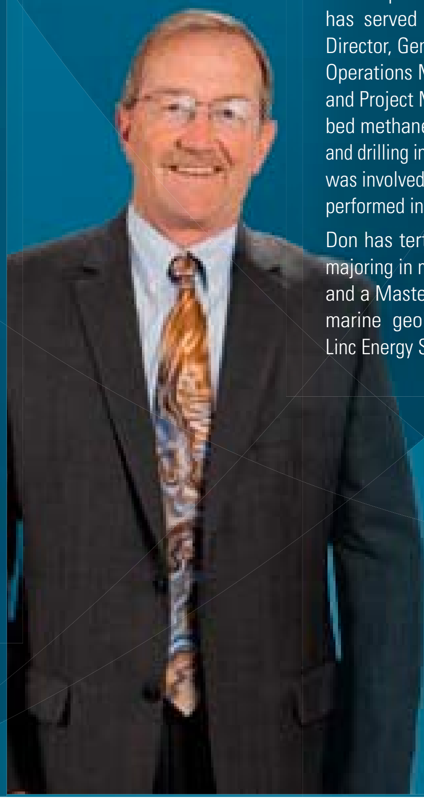


MICHAEL MAPP
President Coal

Michael Mapp has recently joined Linc Energy as the President of the Coal Group. Michael is a respected and successful mining professional who has been working in the industry for more than 20 years. Michael joins Linc Energy from Intra Energy where he held the position of Chief Operating Officer.

Prior to Intra Energy, Michael worked with the Xstrata group as Operations Manager of Ulan Coal and before that as Director of Coal Operations Australia for Vale, responsible for operations including Carborough Downs, Isaac Plains, Broadlea and the Integra Coal underground and open-cut mines. He was promoted to Director after positions of Executive General Manager of Vale Australian Operations, Executive General Manager of Vale NSW Operations and General Manager of Integra Coal Operations with AMCI.

Additional mining experience was gained through Thiess Contractors as Plant Operations Manager & Director of Engineering & Operations Mining Technologies Australia which oversaw the introduction and operation of Highwall Mining systems in Australia.

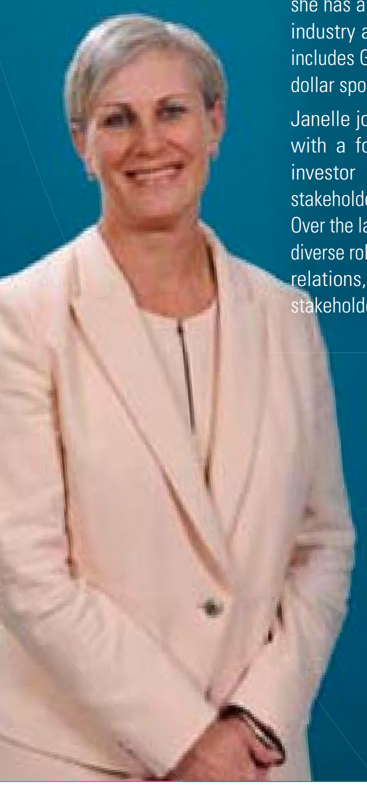


DON SCHOFIELD
President SAPEX

Don Schofield has extensive worldwide experience in founding mining and energy related private and public companies, and has served in roles including Managing Director, General Manager, Mine Manager, Operations Manager, Exploration Manager and Project Manager in the petroleum, coal bed methane, mineral exploration, mining, and drilling industries. In the early 1980s, Don was involved in some of the initial UCG work performed in the United States.

Don has tertiary qualifications in science, majoring in mining engineering and geology and a Master of Arts in sedimentation and marine geology. Don is responsible for Linc Energy SAPEX.

EXECUTIVE **LEADERSHIP TEAM**



JANELLE VAN DE VELDE
President Shared Services

Janelle van de Velde has nearly 25 years of experience working for publicly-listed companies. Having worked for Ergon Energy, she has a diverse perspective of the energy industry and her previous experience also includes General Manager of a multi-million dollar sporting facility.

Janelle joined Linc Energy in August 2006 with a focus to develop and implement investor relations programs to keep stakeholders informed as its vision unfolded. Over the last six years, Janelle has held many diverse roles at Linc Energy including investor relations, corporate communications and stakeholder relations.

DAVID SMITH
Chief Operating Officer

David Smith's responsibilities extend across the strategic areas of the business including developing commercial partnerships, project development and operations of the Chinchilla Demonstration Facility.

David has 25 years of engineering and commercial development experience across a diverse portfolio of energy, infrastructure, construction and mining industries. Prior to Linc Energy David's experience included operations management in the Middle East, Chairman of a state infrastructure association, Development Manager for a utility & construction company, State Manager for a condition assessment company and Strategic Development Manager for an international infrastructure & engineering company.

David is the former Linc Energy Chief Operations Officer and a former Director at the Yerostigaz UCG facility in Uzbekistan.

David has an MBA from the University of Queensland, an Honours degree in Engineering from the University of Wollongong and is a Fellow of the Australian Institute of Company Directors (AICD)

GREG PERKINS
Chief Technology Officer

Greg Perkins has over 15 years of experience in the energy, oil, and gas industries. He has extensive international experience having held previous positions in Australia, Switzerland, the Netherlands, Malaysia and the United States.

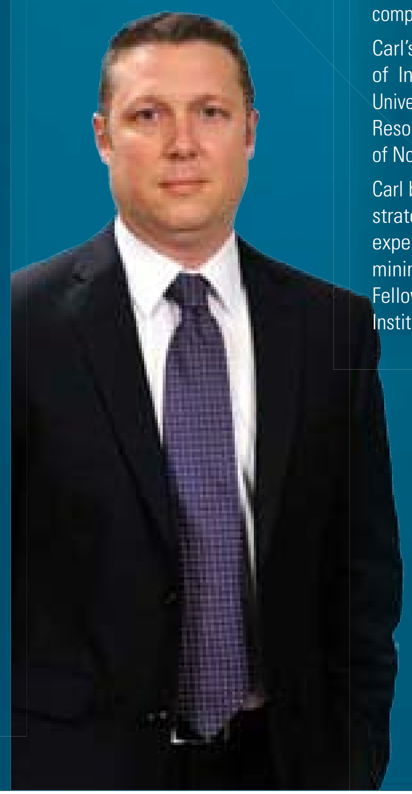
After internships with BHP and ABB during his undergraduate studies, Greg began his career as a research engineer with Rio Tinto. He was employed by Shell International in Europe and Asia in a variety of oil & gas focused roles, all with increasing responsibility. While working at Shell's technology centre in Amsterdam, Greg specialised in chemical process development for the petrochemical business units, before working on multi-phase flow issues involving oil & gas for the upstream business units. Greg also spent several years in Shell's gasification team where he was involved in the commissioning and start-up of a new gasification unit at a natural gas to liquid fuels complex in Malaysia.

Greg holds undergraduate degrees in Science and Engineering and has a PhD in Underground Coal Gasification. Greg's extensive experience in gasification and process development positions him well for his role at Linc Energy. Since December 2009, Greg has led Linc Energy's technology team towards commercialising UCG. As Chief Technology Officer, he is responsible for the overall management of Linc Energy's efforts on UCG and the downstream conversion of syngas into liquid fuels, chemicals and power.

CORRI FEIGE
General Manager – Alaska

Corri Feige has over 24 years of global exploration and development experience in the mining and petroleum sectors. As a geophysicist and exploration program leader, Corri has worked exploration and development programs in the United States, Australia, Central America and South America, and has employed applied geophysical techniques to in-mine production and drill/blast programs in both coal and hardrock mining operations. Her experience includes project management, permitting, environmental compliance, and governmental affairs coordination. Corri holds a Bachelor of Science Degree in Geophysical Engineering from the College of Engineering at the Montana School of Mines.

At Linc Energy, Corri is responsible for Project Management in Alaska. Over the last 16 years, she has worked various mining and petroleum exploration and development projects in Alaska including remote exploration programs in Western Alaska and Southwestern Alaska, Coal Bed Methane exploration in the Cook Inlet Basin, conventional natural gas exploration in the Cook Inlet Basin, coal and hardrock mine permitting and environmental compliance, and permitting the first deep geothermal exploration project in Alaska.



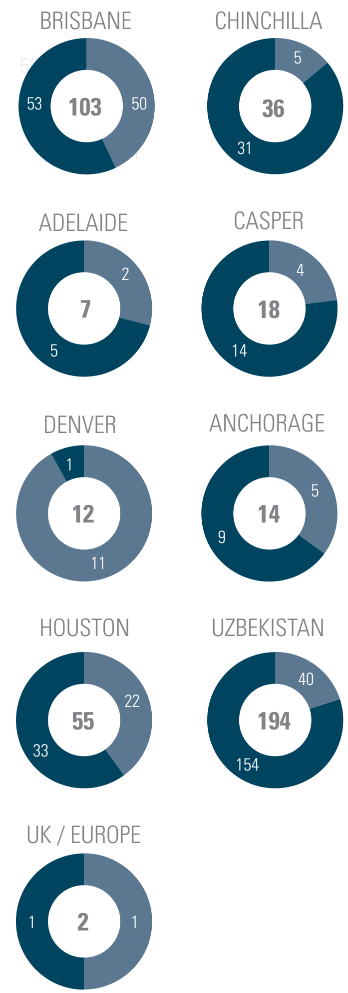
CARL FISHER
General Manager - Human Resources

Carl Fisher joined Linc Energy in 2008 and is General Manager Human Resources. In this role Carl holds global responsibility for the company's human resources function.

Carl's qualifications include a Bachelor of International Business from Murdoch University, and a Master of Business - Human Resource Management from the University of Notre Dame.

Carl brings a wide range of operational and strategic human resource management experience from within the construction, mining and energy industries, and he is a Fellow of the Australian Human Resources Institute (FAHRI).

GLOBAL STAFF NUMBERS



GLOBAL STAFF 441
143 CORPORATE 298 TECHNICAL

Corporate Staff Technical Staff

As at 8 October 2012.

THE FINANCIAL YEAR

I AM EXCITED ABOUT LINC ENERGY'S FOCUS ON ACHIEVING OUR GOAL OF UCG COMMERCIALIZATION IN THE NEXT 12 MONTHS.

DAVID L SMITH // PRINCIPAL HYDROGEOLOGIST // CASPER

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Linc Energy Ltd (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2012.

DIRECTORS

Unless otherwise stated, the following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr K. Dark Acting Chairman Independent Non-Executive Director	Chairman of the Audit and Risk Management Committee. Member of Remuneration Committee. Director since October 2004 – appointed Acting Chairman on 6 September 2011.
Mr P. Bond Managing Director	Managing Director and Chief Executive Officer. Director since October 2004
Mr J. Mathews Independent Non-Executive Director	Mr Mathews has over 30 years of experience in the coal mining industry. Chairman of the Remuneration Committee. Director since December 2009
Mr C. Ricato Executive Director – Legal and Corporate Affairs	A qualified lawyer, Mr Ricato overseas all aspects related to legal and corporate affairs for the Group. Director since October 2010

Mr O. Yates was a Non-Executive Director during the year until his resignation on 28 November 2011. Further details of the qualifications and experience of Directors can be found on page 52 of this report.

COMPANY SECRETARY

Mr Brook Burke has been the Company Secretary since 4 November 2010. He has extensive experience in the areas of corporate law, energy and resource law and corporate governance both in private practice and working in-house in the energy industry.

PRINCIPAL ACTIVITIES

The principal continuing activities of the Group consisted of:

- Conventional oil and gas exploration and production;
- Exploration and development of conventional coal resources; and
- Development and commercialisation of Coal-to-Liquids (CTL) processes through the combined utilisation of Underground Coal Gasification (UCG) and Gas-to-Liquids (GTL) technologies.

UCG and GTL technologies when combined can economically convert deep underground coal deposits into cleaner, sulphur-free diesel and jet fuels. The Group also plans to combine its unique UCG technology with its conventional oil production assets through the utilisation of waste carbon dioxide for Enhanced Oil Recovery ("EOR"). This is expected to significantly increase the economics of UCG projects and boost the Group's existing oil production.

DIVIDENDS

No dividends were paid or declared by the Company during the year or up to the date of this report.

REVIEW OF OPERATIONS

Information on the operations of the Group and its business strategies and prospects is set out in the Review of Operations and Activities on page 11 of this Annual Report.

FINANCIAL PERFORMANCE

REVENUES

Total Group revenues increased significantly, from $3,199,000 to $57,060,000, reflecting the inclusion of 12 months of Wyoming and nine months of Gulf Coast oil sales revenues. The corresponding period in the prior year was limited to syngas sales at Yerostigaz in Uzbekistan and three months of oil sales from Wyoming. The average oil sales price achieved for the year was USD$99.80 per barrel, excluding oil price hedges. Under the terms of its Reserve Based Lending facility, Linc Energy is required to hedge a certain portion of its oil production to ensure that interest and field operating costs are fully covered. Further details of these oil hedges are included in note 25 to the financial statements.

OIL SALES

(Linc Energy net interest – note first year of production for Gulf Coast assets acquired effective 1 October 2011)

Area	Year ended 30 June 2012 Total Barrels	Year ended 30 June 2011 Total Barrels	Year ended 30 June 2012 Average BOPD	Year ended 30 June 2011 Average BOPD
Gulf Coast (9 months)	496,035	-	1,810	-
Wyoming (12 months)	52,904	13,821	145	152
Total	548,939	13,821	1,965	152

OIL PRODUCTION

Production from the Wyoming fields remained relatively consistent throughout the year at around 200 BOPD gross (150 net). Production increased temporarily during the CO_2 "huff and puff" test in January 2012 with the well producing an average of 35 BOPD during the test period compared to just one prior to the CO_2 injection.

Production in the Gulf Coast fields suffered a significant initial decline following their acquisition from ERG in October 2011. This was due to a combination of natural decline and a reduction of approximately 250 BOPD due to the loss of a natural gas pipeline in the Port Neches field which supplied gas to a compressor used for artificial lifting in the field.

Initial gross production in October 2011 was an average of just under 2,700 BOPD (2,000 net) but this declined further to a low of 2,415 gross BOPD (1,717 net) in April 2012 as Linc Energy established its Oil & Gas team and the new team determined the best strategy to develop the assets. Early in 2012 Linc Energy began investing heavily in increasing production, with an aggressive target of achieving 5,900 to 7,000 BOPD gross production by the end of December 2012.

By June 2012 average gross production in the Gulf Coast had increased to 3,057 BOPD with production capacity (i.e. assuming all available wells were online) reaching 4,000 barrels per day gross. Unfortunately actual production at the Atkinson Island field (approximately 350 BOPD gross) was shut in for most of the fourth quarter due to US Army Corps of Engineers activities in the area. Linc Energy had four drill rigs operating in the Gulf Coast region along with one completion rig.

GROSS PROFIT

Gross profit for the Group increased from $207,000 to $25,380,000. Cost of sales relates predominantly to the US oil business and includes oilfield lease operating expenses, workover costs, production taxes, royalties and non-cash depletion costs. Overall cash production costs (including production taxes but excluding depletion expenses) for the Group for the reporting period were USD$36.76 per barrel.

OPERATING EXPENSES

The Group experienced a significant increase in staff costs during the financial year with employee benefits expenses increasing from $38,395,000 in 2011 to $51,548,000 in 2012. This increase reflected a full year of costs in the US following the ramp up in operational and corporate support functions during the latter part of the 2011 financial year. As a result of the restructuring of the Group into the four core business units in June 2012 and a focus on cost reduction, a total of 60 employees or positions were made redundant in the US and Australia, with staff numbers in these locations reducing to 232 by the end of the financial year (2011: 238). The redundancies are expected to save an estimated $4,500,000 per annum. Total staff numbers across the Group decreased to 430 as at 30 June 2012 (2011: 464).

Total administration and corporate costs for the period increased from $57,550,000 to $74,743,000 reflecting the significant increase in staff costs detailed above and administrative costs as a result of the continued global expansion of the business, particularly in the United States with the acquisition of the ERG Gulf Coast oil business and the expansion of the Alaskan office to commence development of the Umiat project.

Included within this figure was a non-cash share based payment expense of $10,721,000 (2011: $15,232,000) reflecting the cost of options and performance rights recognised over their relative vesting periods along with other material non-cash items, including unrealised foreign exchange gains of $4,630,000 (2011: gain of $7,707,000) predominantly representing the impact of currency movements on AUD denominated intercompany loans from Linc Energy Ltd to the Group's US subsidiaries.

FINANCIAL INCOME AND EXPENSES

Finance income of $3,578,000 was significantly lower than the prior year (2011: $22,181,000) which benefited from both the interest earned on coal tenement sale funds of $20,227,000 plus a net gain of $1,954,000 recognised on settlement of the Springtree Convertible Loan Agreement.

Finance expenses of $11,231,000 (2011: $413,000) increased as a result of interest payable on borrowings and the recognition of an accounting loss of $4,011,000 on the net change in the fair value of derivative financial instruments. This reflects both the realised ($3,634,000) and unrealised ($377,000) loss on oil hedges taken out by Linc Energy Gulf Coast as a requirement of its Reserve Based Lending Facility. The unrealised amount will fluctuate over time as the hedges are "marked to market" against the prevailing oil price at each reporting date.

TAX

The Group recognised a tax benefit of $27,804,000 (2011: tax expense of $135,865,000). No amount has been included in income tax expense in respect of the material contingent tax liability related to the Adani coal production royalty. For further details on this contingency please refer below.

NET PROFIT/(LOSS) AND OTHER COMPREHENSIVE INCOME/(LOSS)

The Group recorded a net loss after tax of $61,893,000 (2011: profit of $296,441,000). Note the result in the prior period reflected the sale of the Galilee non-core coal tenement, with a net gain of $495,001,000 recognised on disposal of that asset.

Included in Other Comprehensive Income was an accounting loss of $7,895,000 (2011: gain of $5,726,000) reflecting the decrease in value of the Group's listed equity investments based on market prices. This unrealised accounting loss was recognised in reserves. The Directors do not believe that the decreases in value of the Group's listed equity investments are permanent in nature.

TOTAL COMPREHENSIVE INCOME/(LOSS)

The total comprehensive loss for the year was $70,381,000 (2011: profit of $302,721,000).

EARNINGS PER SHARE

Basic earnings per share amounted to a loss of 12.18 cents per share (2011: profit of 59.27 cents) while diluted earnings per share was also a loss of 12.18 cents per share (2011: profit of 57.71 cents).

FINANCIAL POSITION

Total assets at 30 June 2012 totalled $727,779,000 (30 June 2011: $600,953,000), including $25,680,000 (30 June 2011: $310,343,000) of cash and cash equivalents. Oil & Gas assets increased significantly to $384,581,000 (30 June 2011: $25,288,000) reflecting the acquisition of the ERG Gulf Coast oil business ($261,132,000), the Umiat asset ($55,560,000) and capital expenditure invested in increasing oil production in the Gulf Coast ($30,850,000).

Total liabilities increased to $273,905,000 (30 June 2011: $87,232,000) including $58,299,000 in respect of the Fortress line of credit facility, $126,025,000 (30 June 2011: Nil) in respect of the reserve-based lending facility and $383,000 (30 June 2011: Nil) of unrealised hedge liabilities relating to derivative instruments such as swap agreements used to manage exposure to commodity price risk as required by the Linc Gulf Coast Reserve Based Lending Facility which was used to partially fund the acquisition of the ERG business.

At 30 June 2012 the Group was technically in breach of one of its loan covenants in respect of the reserve-based lending facility. Although a waiver was subsequently received and the breach rectified, Australian Accounting Standards mandate that the loan be classified as a current liability at the reporting date. Further detail on this matter is included in note 1 of the financial statements.

CASH FLOWS

The Group had a total of $25,680,000 (30 June 2011: $310,343,000) of cash and cash equivalents on hand at the end of the reporting period. Net cash outflows from operating activities were $85,917,000 (2011: outflow of $80,482,000). This included $48,208,000 (2011: $3,756,000) of receipts from customers predominantly related to US oil sales, offset by $110,654,000 (2011: $53,023,000) of payments to suppliers and employees and the final 2011 tax instalment of $9,651,000 paid in the current financial year relating to the coal tenement sale that occurred in the prior year.

Material cash inflows and outflows during the year were as follows:

- $254,697,000 was paid during the period for the acquisition of the ERG Gulf Coast assets (2011: $9,438,000 deposit paid).
- $44,660,000 was paid (net of cash acquired) during the period to complete the acquisition of the Umiat assets (2011: $4,719,000 deposit paid).
- $35,169,000 payments for exploration and evaluation, including drilling and seismic acquisition in South Australia ($14,960,000), exploration drilling at Teresa ($9,038,000), exploration in Wyoming ($5,308,000), exploration in Alaska ($4,313,000) and the Great Northern Leases ($1,023,000)
- $32,550,000 payments for development activities, predominantly technology development costs including Gasifier 5 at Chinchilla ($12,840,000), Gulf Cost oil and gas ($15,621,000) and Wyoming oil & gas ($3,426,000).
- $127,965,000 (USD$130,000,000) received from the Reserve Based Lending Facility.
- $12,093,000 paid for shares purchased under the Company's on-market share buy-back.

WITH DRILLING COMMENCING IN POLAND AND MULTIPLE OTHER UCG OPPORTUNITIES TO PROGRESS, EUROPE IS AN EXCITING PLACE TO BE!

CHRIS STENLAKE // GEOLOGIST, EUROPE OPERATIONS // LONDON

SHAREHOLDER RETURNS

	2012	2011	2010	2009	2008
Profit/(loss) attributable to equity holders of Linc Energy Ltd	($61,891,000)	$296,455,000	($16,255,000)	($42,176,000)	($4,244,000)
Basic EPS	(12.18) cents	59.27 cents	(3.48) cents	(10.36) cents	(1.21) cents
Diluted EPS	(12.18) cents	57.71 cents	(3.48) cents	(10.36) cents	(1.21) cents
Dividends paid	-	$49,643,000	-	-	-
Dividends per share	-	$0.10	-	-	-

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the year were as follows:

- On 8 July 2011, the Group announced that it had completed the acquisition of the Umiat oil field in Alaska for a total value of USD$56,416,000 (AUD$52,578,000).
- On 11 October 2011, Linc Gulf Coast Petroleum, Inc. a wholly owned subsidiary of Linc Energy USA, completed the acquisition of 13 oil & gas fields in Texas and Louisiana along with related assets and certain employees from ERG Resources LLC, securing immediate oil production. The effective date of the purchase was 1 October 2011. Total consideration for the acquisition was $264,230,000 (USD$261,350,000) of which $254,697,000 (USD$251,920,000) was paid during the current period to complete the acquisition. To partially finance the acquisition and to provide working capital to develop the assets, Linc Gulf Coast Petroleum, Inc. entered into a USD$300,000,000 non-recourse credit agreement with BNP Paribas. The credit facility provides for a maximum borrowing of up to USD$300,000,000, with an initial borrowing base of USD$130,000,000.
- On 2 September 2011, Linc Energy became a substantial shareholder in ASX and JSE listed Firestone Energy Limited (ASX/JSE: FSE) with a total interest of 9.57 per cent. The stake was acquired in two stages, with an initial purchase of 133,000,000 securities (representing 4.93 per cent) on-market between 20 May 2011 and 3 June 2011 at an average price of 2.16 cents per share. On 2 September 2011, Linc Energy signed a subscription agreement to acquire a further 150,336,423 shares via a private placement at 1.2 cents per share. The total cost of acquisition was A$4,677,000. Firestone Energy Limited is an Australian based exploration and development company with a significant coal asset located in South Africa. As part of the placement, Firestone granted to Linc Energy its UCG, oil & gas rights over the tenements it holds with local JV partner Sekoko Resources (Pty) Ltd.
- On 12 September 2011, the Company announced that it would carry out an on-market share buy-back of up to five per cent of the Company's fully paid ordinary share capital. The buy-back can commenced on 26 September 2011 and ceased on 26 September 2012. 7,085,000 shares were bought back and cancelled during the year for a total consideration of $12,093,000.
- On 31 January 2012, Linc Energy announced that it had entered into a $120,000,000 Line of Credit facility agreement with an affiliate of Fortress Investment Group, LLC. The facility can be drawn at any time and is available for a period of 12 months. Amounts drawn under the facility are secured by certain assets of the Group, but the terms of the agreement allow the Group to deal with those assets and to repay any amount drawn down at any time during the period. The borrowing cost of the facility is approximately seven percent over the one month BBSY rate. At the date of this report, $90,000,000 had been drawn.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Matters subsequent to the end of the financial year were as follows:

- Extension of Fortress Line of Credit facility – On 6 September 2012, the Group announced that it had reached agreement on the terms for an extension of the $120,000,000 line of credit facility with Fortress Investment Group until 24 July 2015. As consideration for the extension of the facility, the Group provided Fortress with additional security over certain of its assets along with a warrant allowing Fortress to subscribe for up to one per cent (5,112,991 shares) of the issued share capital of Linc Energy Ltd at a total cost of $1 at any time until 24 July 2015.
- Corporate bond issue - On 14 September 2012, the Group announced that it had commenced the process to raise approximately USD$265,000,000 via the issue of its first ever corporate bonds. At the date of this report this process in ongoing.
- Director loan – On 22 August 2012, an agreement was entered into to provide a loan of up to $230,592 (£150,000) to Hillgrove Pty Ltd, a company controlled by Managing Director Peter Bond, for the purposes of providing short term funding to Powerhouse Energy Plc. The loan was provided on commercial terms, with interest calculated monthly at a current rate of 10.71 percent. The loan is repayable no later than four years from the date of the loan. Linc Energy retains the right to take over this loan from Hillgrove Pty Ltd. At the date of this report the outstanding balance of the loan is $92,480 (£60,158).

CONTINGENT LIABILITY

The Group disclosed a contingent liability in respect of potential income tax payable on the market value at 3 August 2010 of the right to the royalty receivable from Adani from future coal production from the Galilee tenement. Linc Energy does not believe that the contingent royalty income is currently assessable. However, due to uncertainty over the treatment of this amount under Australian tax law, the Company has requested a private binding ruling (PBR) from the Australian Taxation Office (ATO) in respect of this transaction given its potentially material value.

No formal response to the PBR has been issued from the ATO as yet and Linc Energy are considering the merits of additional submissions in relation to the PBR request as well as Linc Energy's objection and appeal rights should the ATO issue an unfavourable ruling.

Should the ATO ruling be unfavourable to Linc Energy and Linc Energy do not object or appeal the decision, the potential additional tax payable in respect of the 2011 financial year would be based on the market value of the royalty as at 3 August 2010. The market value of the royalty takes into account the significant risks and challenges associated with the development of a greenfields mining and infrastructure project of the scale proposed by Adani in the Galilee Basin. Linc Energy is currently working with external consultants to calculate the potential market value of the royalty.

In the Director's opinion, disclosure of any further information would be prejudicial to the interest of the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Comments on likely developments and expected results of operations of the Group are included in this Annual Report under the Review of Operations and Activities section on pages 11 to 36. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this Annual Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group is subject to statutory environmental requirements in various jurisdictions in which it operates in relation to exploration, UCG, GTL & oil & gas production.

In relation to Australian law and in the reporting period, the Group generally complied with its environmental obligations. There were no instances of non-compliance that the Group considered to be material in nature.

In Queensland, the Group must comply with environmental legislation for exploration and UCG activities. The Environmental Protection Act regulates the environmental performance of the Group when conducting environmentally relevant activities (which include exploration, mining by UCG and gas processing). The Group has environmental licences issued for exploration tenements and the Chinchilla Demonstration Facility. The Group considers that at no point has it operated materially outside the requirements of its environmental permits.

During the financial year, the Group was ordered to conduct an environmental evaluation by the Queensland Government. The order related to investigating the alleged causation of environmental nuisance by odour emissions at the Chinchilla Demonstration Facility. The investigation was duly conducted by the third party experts engaged by the Group and the Queensland Government was provided the findings of the investigation. At the end of the reporting period, no further action had been taken.

In South Australia, the Group's activities are currently limited to desktop activities. Environmental regulation of exploration activities are controlled through the petroleum legislation. The Group has approved Statements of Environmental Objectives (SEO's) and Environmental Impact Reports (EIR's) for exploration in the Arckaringa, Walloway and Cooper Basins.

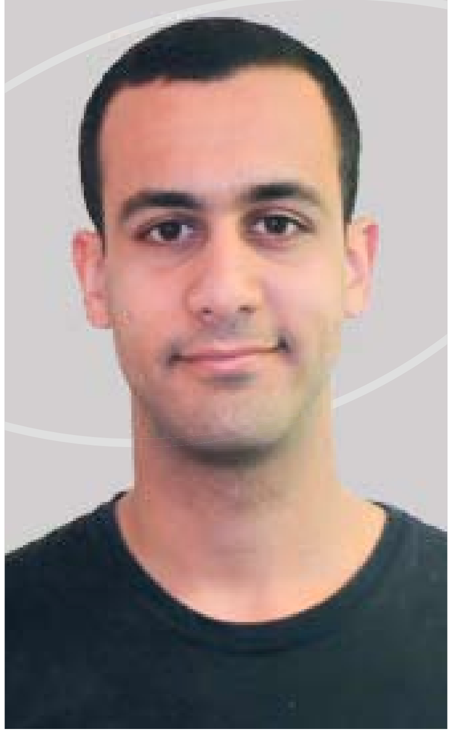
In the US the Group has been actively engaged in exploration for UCG prospects in the State of Alaska and characterisation in the State of Wyoming. The drilling is conducted under all appropriate and required permits secured from State and Federal agencies. In Wyoming the required mining research and development licence application for the 90 day UCG demonstration was submitted with the Wyoming Department of Environmental Quality.

The Group operates an oil field in Wyoming under approvals from the Wyoming Oil & Gas Conservation Commission, oilfields in Texas under approvals from the Texas Commission on Environmental Quality and the Railroad Commission of Texas and in Louisiana with approvals from the Louisiana Department of Natural Resources and Office of Conservation.

The Group was not subjected to any enforcement actions during the reporting period.

I'M EXCITED BY FURTHER EXPLORATION OF THE MULTIPLE PROSPECTIVE BASINS THAT LINC ENERGY HAS TENEMENT OVER IN SOUTH AUSTRALIA TO DISCOVER A COMMERCIALLY VIABLE PRODUCT.

RYAN KOCH // EXPLORATION GEOLOGIST // ADELAIDE



Further comments on the Group's environmental management activities can be found in the Review of Operations and Activities commencing on page 11.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

	Full meetings of Directors		Meetings of Audit and Risk Management Committee		Remuneration Committee	
	A	B	A	B	A	B
K. Dark	7	7	4	4	2	2
P. Bond	5	7	-	-	-	-
J. Mathews	7	7	4	4	2	2
C. Ricato	6	7	-	-	-	-
O. Yates	3	3	2	2	-	-

A = Number of meetings attended during the time the director held office or was a member of the committee.
B = Number of meetings held during the time the director held office or was a member of the committee

OTHER DIRECTORS INFORMATION

Director	Other current public company directorships	Former public company directorships in the last 3 years	Special responsibilities
K. Dark	None	None	Acting Chairman, Chairman, Audit and Risk Committee, Remuneration Committee member
P. Bond	None	None	Managing Director and Chief Executive Officer
J. Mathews	None	None	Audit and Risk Committee member, Chairman, Remuneration Committee
C. Ricato	None	None	Executive Director – Legal and Corporate Affairs, M&A
O. Yates	BioCarbon Group Pte Limited Elementus Energy Ltd	None	Acting Chairman, Audit and Risk Committee member, Remuneration Committee member

REMUNERATION REPORT (AUDITED)

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group is to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. Accordingly the Group has adopted remuneration policies that aim to attract and retain talented and motivated Directors and employees so as to encourage enhanced performance of the Group.

The Board aims to ensure that executive reward satisfies the following key criteria as part of its good governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation; and
- Deliver a balanced solution addressing all elements of total remuneration.

The Group has structured an executive remuneration framework that is market competitive, complimentary to the strategies of the organisation and aligned with the interests of shareholders. The framework provides for a mix of fixed and variable pay, and a blend of short and long term incentives. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards. Performance is reviewed annually in formal performance appraisals, while KPI's and objectives are set formally and reviewed on at least an annual basis. The Group also utilises the XGAP management philosophy to drive individual and collective performance across the Group, with objectives set, reviewed and refreshed each quarter. Remuneration is reviewed annually.

The Group's long term performance incentives have historically been linked to tenure. With respect to the "no vote" on the Remuneration Report at the 2011 Annual General Meeting, the Remuneration Committee are currently working with external consultants on a formal review of the Group's remuneration and benefits strategy. The Remuneration Committee is committed to the introduction a new system of reward with a clear and direct link to organisational performance.

NON-EXECUTIVE DIRECTORS

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The current base remuneration was last reviewed with effect from 1 July 2010. The Chairman's remuneration effective from 1 July 2010 of $65,000 per annum (exclusive of superannuation) is inclusive of committee fees while Non-Executive Directors who chair a committee may receive additional yearly fees. The board subsequently resolved to pay Oliver Yates and Ken Dark a fee of $120,000 per annum (exclusive of superannuation) while Chairman or Acting Chairman reverting to the Non-Executive Directors fee if a new Chairman is elected. Non Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which was reviewed at the Annual General Meeting in 2010 and was increased to an amount not exceeding $500,000 per annum (excluding superannuation and share-based payments). The maximum base salary for Non-Executive Directors currently stands at $55,000 per annum (exclusive of superannuation) per director (other than the Chairman). Non-Executive Directors are also eligible to participate in the Linc Energy Ltd Employee Option Plan and/or Performance Rights Plan.

REMUNERATION REPORT (AUDITED) *CONT.*

EXECUTIVE PAY

The executive pay and reward framework has four components: base pay and benefits; performance-related bonuses; long term incentives through participation in the Linc Energy Ltd Employee Option Plan and/or Performance Rights Plan; and other remuneration such as superannuation and long service leave. The combination of these comprises the executive's total remuneration.

BASE PAY AND BENEFITS

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non financial benefits at the executives' discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants and data provide analysis and advice to ensure base pay is set to reflect the market rate for a comparable role. Base pay for senior executives is reviewed annually to assess whether the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. Some executive contracts include guaranteed base pay increases. As part of their base pay arrangements, executives may receive benefits including motor vehicles, car parking, professional memberships and conferences.

PERFORMANCE-RELATED BONUSES

The Group has not paid or provided for performance related bonuses in the current financial year. Performance related bonuses have been implemented for Scott Broussard for the 2013 financial year. Scott Broussard is eligible for two performance bonuses equivalent to 1 x 200,000 and 1 x 400,000 share rights linked to performance outcomes. The Group is currently reviewing its remuneration strategy and a formal short-term incentive program may be introduced in the 2013 financial year.

KEY MANAGEMENT PERSONNEL

The following table sets out the persons who were key management personnel for the financial year:

Name	Position	Employment period
2012		
K. Dark	Non-Executive Director and Acting Chairman	Full year Appointed Acting Chairman 6 September 2011
P. Bond	Managing Director	Full year
J. Mathews	Non-Executive Director	Full year
C. Ricato	Executive Director, Legal and Corporate Affairs	Full year
O. Yates	Non-Executive Director and Acting Chairman	Ceased 28 November 2011 Ceased Acting Chairman 6 September 2011
A. Rohner	Chief Financial Officer	Full year Ceased 3 August 2012
K. Terblanche	President, Linc Energy Operations Africa Formerly President, Linc Energy Operations Australia & Africa	Appointed 13 December 2011
D. Smith	Chief Operating Officer	Full year
D. Schofield	President, SAPEX Formerly President, Linc Energy Operations, USA	Appointed 30 April 2012 Ceased 29 April 2012
J. Van de Velde	President, Shared Services Formerly General Manager Corporate Communications & Services	Appointed 30 April 2012 Ceased 29 April 2012
S. Broussard	President, Oil & Gas	Appointed 30 April 2012
A. Bond	President, Clean Energy Formerly President, European Operations	Appointed 30 April 2012 Ceased 29 April 2012
M. Mapp	President – Coal Formerly Project Director - Teresa	Appointed 16 April 2012 Ceased 15 April 2012

Name	Position	Employment period
2011		
B. Johnson	Chairman	Full year Appointed Acting Chairman 6 September 2011
P. Bond	Managing Director	Full year
K. Dark	Non-Executive Director	Full year
J. Mathews	Non-Executive Director	Full year
O. Yates	Non-Executive Director and Acting Chairman	Ceased 28 November 2011 Ceased Acting Chairman 6 September 2011
A. Rohner	Chief Financial Officer	Full year Ceased 3 August 2012
C. Ricato	Executive Director, Legal and Corporate Affairs	Appointed 13 December 2011
K. Terblanche	President, Linc Energy Operations Australia & Africa Formerly Chief Operating Officer	Full year
D. Smith	Chief Operating Officer, Formerly Executive General Manager – Business Development and Government Relations	Appointed 30 April 2012 Ceased 29 April 2012
D. Schofield	President – Linc Energy Operations, USA Formerly General Manager – New Projects	Appointed 30 April 2012 Ceased 29 April 2012

SERVICE AGREEMENTS

Remuneration and other terms of employment for the Directors and the other key management personnel are formalised in service agreements. The major provisions of these agreements including termination provisions are set out below:

Name	Duration	Conditions	Termination/Notice period
K. Dark	Two year appointment	Base fee of $120,000 per annum plus 9% superannuation while Chairman or Acting Chairman. Director's Fees of $55,000 per annum plus 9% superannuation as fixed by Shareholders in general meeting. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Not eligible for any termination benefit.
P. Bond	Three year contract to 31 December 2013	Base fee, inclusive of superannuation of $500,000 to be increased to $1,000,000 in three equal amounts at 1 January each year over the three year term. The base fee is currently $833,333. Eligibility to participate in the Company's Performance Rights plan.	Termination payment of management fee for the unexpired period of the entire term.
J. Mathews	Two year appointment	Director's Fees of $55,000 per annum plus 9% superannuation as fixed by Shareholders in general meeting. Eligibility to participate in the Company's Performance Rights plan.	Not eligible for any termination benefit.
C. Ricato	Three year contract to 12 March 2013	Executive management fee of $381,500 per annum with a set increase of 10% per annum. The base fee is currently $539,550. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Termination payment of the lesser of 12 months management fee or for the unexpired period of the entire term. Three month notice period in writing.
O. Yates	Two year appointment	Base fee of $120,000 per annum plus 9% superannuation while Chairman or Acting Chairman. Salary reverts to $60,000 per annum plus 9% superannuation if no longer Chairman. Eligibility to participate in the Company's Performance Rights plan.	Not eligible for any termination benefit.
A. Rohner	Contract to 1 January 2013	Base salary of $350,000 plus 9% superannuation to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan. Mr Rohner resigned effective 3 August 2012.	Maximum equivalent to six months salary. Three month notice period in writing.
K. Terblanche	Three year contract to 1 March 2013	Base salary of $375,000 plus 9% superannuation to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Maximum equivalent to six months salary. Three month notice period in writing.
D. Smith	Contract to 31 July 2014	Executive management fee of $375,000 to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Termination payment of the lesser of 12 months management fee or for the unexpired period of the entire term. Three month notice period in writing.
D. Schofield	Contract to 12 November 2012	Base salary of $360,000 plus 9% superannuation to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan.	Maximum equivalent to three months salary. Three month notice period in writing.
J. Van de Velde	Permanent	Base salary of $300,000 plus 9% superannuation to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan and previous Employee Option Plan	Maximum equivalent to five weeks salary. Five week notice period in writing.
S. Broussard	Permanent	Executive management fee of USD$425,000 to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan. Two performance bonuses equivalent to 1 x 200,000 and 1 x 400,000 share rights linked to performance outcomes.	Not eligible for any termination benefit. No notice period.
A. Bond	Permanent	Executive management fee of $375,000 to be reviewed on an annual basis. Eligibility to participate in the Company's Performance Rights plan.	Maximum equivalent to three months salary. Three month notice period in writing.
M. Mapp	Permanent	Base salary of $375,000 plus 9% superannuation to be reviewed on an annual basis. Eligible for two bonuses equivalent to $500,000 each due 18 months and 30 months from the commencement of employment (not linked to performance).	Maximum equivalent to three months salary. Three month notice period in writing.

REMUNERATION REPORT (AUDITED) *CONT.*

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of the Directors and the other key management personnel of the Company and Group for the current financial year are set out in the following tables. None of the remuneration in the current financial year consists of a variable component linked to performance.

	Short Term			Post-employment	Long term benefits	Share based payments			
	Cash salary and fees	Non-monetary benefits	Monetary benefits	Superannuation	Long Service leave	Options [1]	Rights [1]	Total	Remuneration consisting of share based payments
Name	$	$	$	$	$	$	$	$	%
2012									
K. Dark	119,091	-	-	10,718	-	-	-	129,809	-
P. Bond	756,544	48,448	-	68,089	-	-	-	873,081	-
J. Mathews	55,000	-	-	4,950	-	-	444,645	504,595	88.1
C. Ricato	510,037	51,389	-	45,903	-	-	1,094,356	1,701,685	64.3
O. Yates	50,000	-	-	4,500	-	-	598,776	653,276	91.7
A. Rohner	325,301	38,296	-	29,870	4,321	224,808	-	622,596	36.1
K. Terblanche	375,000	34,390	-	33,750	5,688	74,124	523,196	1,046,148	57.1
D. Smith	346,904	30,120	-	31,221	-	38,351	422,367	868,963	53.0
D. Schofield	383,738	95,944	-	34,538	7,617	-	915,000	1,436,837	63.7
J. Van de Velde	197,924	26,102	-	21,600	12,347	21,064	132,040	411,077	37.2
S. Broussard	207,788	14,715	-	6,762	-	-	224,164	453,429	49.4
A. Bond	346,500	-	-	11,515	-	-	287,117	645,132	44.5
M. Mapp	122,229	-	-	11,293	417	-	-	133,939	-
	3,796,056	**339,404**	**-**	**314,709**	**30,390**	**358,347**	**4,641,661**	**9,480,567**	**52.7**

[1] The values shown in the table above for share-based payments reflects the assessed fair value of the share-based payment calculated in accordance with accounting standards and recognised as a non-cash expense for each person during the year. These figures do not represent the actual cash value of the shares or options granted or vested during the period.

Name	Short Term Cash salary and fees $	Non-monetary benefits $	Monetary benefits $	Post-employment Superannuation $	Long term benefits Long Service leave $	Share based payments Options [1] $	Rights [1] $	Total $	Remuneration consisting of share based payments %
2011									
B. Johnson	30,906	-	-	2,782	-	-	-	33,688	-
P. Bond	534,862	54,981	-	48,138	-	-	-	637,981	-
K. Dark	55,000	-	-	4,950	-	-	-	59,950	-
J. Mathews	59,308	-	-	5,338	-	-	370,832	435,478	85.2
O. Yates	81,000	-	-	7,290	-	-	741,663	829,953	89.4
A. Rohner	288,846	30,973	-	25,996	1,701	495,120	-	842,636	60.2
C. Ricato	399,853	31,357	-	32,941	-	105,133	1,444,853	2,014,137	77.0
K. Terblanche	408,152	54,928	-	36,734	3,483	296,530	1,328,298	2,128,125	76.4
D. Smith	266,731	31,702	-	24,006	2,551	134,993	923,457	1,383,440	76.5
D. Schofield	361,846	48,331	-	29,686	5,367	40,323	-	485,553	8.3
	2,486,504	**252,272**	**-**	**217,861**	**13,102**	**1,072,099**	**4,809,103**	**8,850,941**	**66.4**

[1] The values shown in the table above for share-based payments reflects the assessed fair value of the share-based payment calculated in accordance with accounting standards and recognised as a non-cash expense for each person during the year. These figures do not represent the actual cash value of the shares or options granted or vested during the period.

REMUNERATION REPORT (AUDITED) *CONT.*

REMUNERATION LINKED TO PERFORMANCE CONDITIONS

Amounts of remuneration

One member of the key management personnel has remuneration for future financial periods linked to the satisfaction of performance conditions as set out below:

Key management person	Performance conditions and measurement	Reason performance condition was chosen
S. Broussard	200,000 Performance Rights vesting on achievement of average Gross production of 6,000BPD over a calendar month; and 400,000 Performance Rights vesting on achievement of Gross average production of 10,000BPD over a calendar month.	To drive the achievement of the Group's oil production targets

Note: These rights were granted in August 2012 therefore no expense in respect of these rights is included in the remuneration amount in the previous table.

SHARE-BASED COMPENSATION

Employee option plan

The establishment of the Linc Energy Ltd Employee Option Plan was approved by Shareholders at the 2005 Annual General Meeting. Following changes to the taxation of employee share schemes announced in the 2009 Federal Budget, the Option plan was replaced by the Performance Rights Plan, which was approved by shareholders at the 2009 Annual General Meeting.

Options were granted at the discretion of the Board in accordance with the rules of the plan and all directors and staff employed by the Company or its subsidiaries are eligible to participate in the plan. As determined by the Board, a minimum continuous period of employment (usually twelve months) with the Company or any of its subsidiaries is required prior to the first exercise date, which falls on 31 December annually. The option exercise price is set at the discretion of the Board, but is generally the ten day VWAP following commencement of employment with the Group. Subject to ongoing employment by the Company or any of its subsidiaries, options vest over three consecutive years from the initial grant date, with one-third of the total options awarded vesting and exercisable each year. Additional options can be granted at the Board's discretion, with those options exercisable at the end of the fourth or subsequent years.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option has an expiry period of two years and is convertible into one ordinary share. The options were provided at no cost to the recipients and there are no performance conditions attached to them. The Company believe this creates an effective retention tool whilst at the same time providing alignment between the interests of management and shareholders.

Option holdings and grants

No options have been granted to directors or key management personnel during the financial year.

Option vesting profile

Details of vesting profiles of the options granted as remuneration to key management personnel of the Group are set out below:

Name	Number of options	Grant date	% vested in year	% forfeited in year	Vesting dates
A. Rohner	666,667	2 Nov 2009	100%	-	31 Dec 2011
	666,666	2 Nov 2009	-	-	31 Dec 2012
K. Terblanche	666,666	17 Dec 2008	100%	-	31 Dec 2011
K. Terblanche	366,667	17 Dec 2008	-	-	31 Dec 2009
D. Smith	200,000	4 Aug 2008	100%	-	31 Dec 2011
D. Smith	200,000	4 Aug 2008	-	-	31 Dec 2009
J. Van de Velde	100,000	1 Jul 2008	100%	-	31 Dec 2011

Set out below is a summary of the number of options granted under the Employee Option Plan to key management personnel of the Group and held at the end of the financial year.

Name	Expiry date [1]	Exercise price $	Balance at start of year[3] Number	Granted Number	Exercised Number	Disposed [2] Number	Forfeited/expired Number	Balance at end of year[4] Number
2012								
K. Dark	31 Dec 2011	0.25	1,000,000	-	(1,000,000)	-	-	-
P. Bond		-	-	-	-	-	-	-
J. Mathews		-	-	-	-	-	-	-
C. Ricato	31 Dec 2012	0.70	500,000	-	-	-	-	500,000
O. Yates		-	-	-	-	-	-	-
A. Rohner	31 Dec 2014	1.53	1,733,333	-	-	(200,000)	-	1,533,333
K. Terblanche	31 Dec 2013	1.91	1,700,000	-	-	-	(366,667)	1,333,333
D. Smith	31 Dec 2013	2.98	600,000	-	-	-	(200,000)	400,000
D. Schofield	31 Dec 2014	0.76	1,150,000	-	-	(483,334)	-	666,666
J. Van de Velde	31 Dec 2011	0.25	193,166	-	(125,500)	(67,666)	-	-
J. Van de Velde	31 Dec 2012	0.60	400,000	-	-	(200,000)	-	200,000
J. Van de Velde	31 Dec 2013	3.16	100,000	-	-	-	-	100,000
			7,376,499	**-**	**(1,125,500)**	**(951,000)**	**(566,667)**	**4,733,332**
Weighted average exercise price $			1.32	-	0.25	0.85	2.29	1.56

[1] Options vest and are exercisable over three consecutive years from the initial grant date, with one-third of the total options awarded vesting and exercisable at 31 December each year following completion of a minimum service period, usually twelve months. The expiry date disclosed is the expiry date of the third and final tranche of options. Where an employee has been employed for greater than three years, an additional award of options may be granted at the discretion of the Board in the employee's fourth year.

[2] In accordance with a resolution of the Board, directors and employees may dispose of their vested options to a third party. The third party remains subject to the employee option plan rules in respect of options held and have exercised these options during the period.

[3] Or date commenced as a key management person.

[4] Or date ceased as a key management person.

REMUNERATION REPORT (AUDITED) *CONT.*

Set out below is a summary of the number of options granted under the Employee Option Plan to key management personnel of the Group and held at the end of the financial year.

Name	Expiry date [1]	Exercise price $	Balance at start of year[3] Number	Granted Number	Exercised Number	Disposed [2] Number	Forfeited/expired Number	Balance at end of year[4] Number
2011								
B. Johnson		-	-	-	-	-	-	-
P. Bond		-	-	-	-	-	-	-
K. Dark	31 Dec 2011	0.25	2,000,000	-	(1,000,000)	-	-	1,000,000
J. Mathews		-	-	-	-	-	-	-
O. Yates		-	-	-	-	-	-	-
A. Rohner	31 Dec 2014	1.53	2,000,000	-	-	(266,667)	-	1,733,333
C. Ricato	31 Dec 2012	0.70	1,500,000	-	-	(1,000,000)	-	500,000
K. Terblanche	31 Dec 2013	1.91	2,000,000	-	-	(300,000)	-	1,700,000
D. Smith	31 Dec 2013	2.98	600,000	-	-	-	-	600,000
D. Schofield	31 Dec 2014	0.76	1,800,000	-	-	(650,000)	-	1,150,000
			9,900,000	**-**	**(1,000,000)**	**(2,216,667)**	**-**	**6,683,333**
Weighted average exercise price $			1.17	-	0.25	0.98	-	1.48

[1] *Options vest and are exercisable over three consecutive years from the initial grant date, with one-third of the total options awarded vesting and exercisable at 31 December each year following completion of a minimum service period, usually twelve months. The expiry date disclosed is the expiry date of the third and final tranche of options. Where an employee has been employed for greater than three years, an additional award of options may be granted at the discretion of the Board in the employee's fourth year.*

[2] *In accordance with a resolution of the Board, directors and employees may dispose of their vested options to a third party. The third party remains subject to the employee option plan rules in respect of options held and have exercised these options during the period.*

[3] *Or date commenced as a key management person.*

[4] *Or date ceased as a key management person.*

The Group has a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

During the reporting period, the following shares were issued on the exercise or disposal of options previously granted as compensation to key management personnel:

	Number of shares	Amount paid per share
Directors		
K. Dark	1,000,000	0.25
Key management personnel		
A. Rohner (including options disposed to a third party and subsequently exercised)	200,000	1.53
D. Schofield (including options disposed to a third party and subsequently exercised)	483,334	0.76
J. Van de Velde (including options disposed to a third party and subsequently exercised)	393,166	0.25-0.60

There were no amounts unpaid on the shares issued as a result of the exercise of the options in the 2012 financial year.

OPTION VALUES

The options over ordinary shares in the Company held at the end of the financial year by each Director and other key management personnel of the Group, including their personally related parties, are set out below. In the table below, the values shown for the categories of options granted, options exercised and options lapsed during the year reflect the total amount of share-based payment expense recognised for each person.

Name	Balance at the end of the year Number	Vested at the end of the year Number	Unvested at the end of the year Number	Value of options granted during the year[1] $	Value of options exercised during the year[2] $	Value of options disposed during the year[2] $	Value of options lapsed during the year[3] $
2012							
K. Dark	-	-	-	-	850,000	-	-
P. Bond	-	-	-	-	-	-	-
J. Mathews	-	-	-	-	-	-	-
C. Ricato	500,000	500,000	-	-	-	-	-
O. Yates	-	-	-	-	-	-	-
A. Rohner	1,533,333	866,667	666,666	-	-	256,000	-
K. Terblanche	1,333,333	1,333,333	-	-	-	-	-
D. Smith	400,000	400,000	-	-	-	-	-
D. Schofield	666,666	666,666	-	-	-	145,000	-
J. Van de Velde	300,000	300,000	-	-	301,335	146,809	-
	4,733,332	**4,066,666**	**666,666**	**-**	**1,151,335**	**547,809**	**-**

[1] The value of options granted during the year is the fair value of the options calculated at grant date using a Monte-Carlo option pricing model.

[2] The value of options exercised and disposed during the year is calculated as the market price of the shares of the Company as at close of trading on the date the options were exercised or disposed after deducting the price paid to exercise the option.

[3] The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the options lapsed using a Black Scholes option pricing model assuming vesting conditions had been met.

REMUNERATION REPORT (AUDITED) *CONT.*

EMPLOYEE PERFORMANCE RIGHTS PLAN

The establishment of the Linc Energy Employee Performance Rights Plan was approved by Shareholders at the 2009 Annual General Meeting. Under the Plan, the Board may from time to time invite a full time employee or director of the Company or controlled entity of the Company whom the Board decides in its absolute discretion is eligible to be invited to receive a grant of Rights in the Plan, to participate in the Plan and grant the eligible employee a right to acquire fully paid ordinary shares in the Company on conversion of the right as part of the eligible employee's remuneration.

Rights vest in three or more equal tranches over three or more years, with the first tranche vesting 12 months following successful completion of an employee's probation period (generally six months). Rights can also be granted on promotion and may vest in three equal tranches over three years with the first tranche vesting 12 months from promotion date or as one tranche and vest 12 months from promotion date. The number of Rights granted to an employee is determined at the discretion of the Board and is generally based on a formula taking into account an employee's base salary, level within the Company and the Company's share price at the time of grant.

Rights are granted to employees at no cost but may include non-market-based performance conditions. Rights automatically convert to shares on the vesting dates provided all vesting conditions have been met. Other than a time based service condition, there were no other vesting conditions applicable for rights granted to key management personnel during the current financial year. The Board believes that it is currently not appropriate to link the vesting of performance rights with performance conditions until the Group's business units reach a mature and stable operational state. The provision of share rights to key management personnel that vest in multiple tranches over multiple years provides a good balance between the objectives of attracting and retaining high performing employees and aligning the interests of these employees with shareholders in the long term.

Rights granted under the plan carry no dividend or voting rights until they convert to ordinary shares.

I'M EXCITED TO START EXPLORATION OF OUR NEW TENEMENTS IN THE COOPER/ EROMANGA BASIN AND TO COMPLETE A SEISMIC SURVEY WITH OUR OWN RECORDING SYSTEM.

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Performance rights holdings and grants

Set out below is a summary of the rights granted as compensation under the Employee Performance Rights Plan to key management personnel of the Group during the reporting period.

Name	Number of rights granted Number	Grant date	Vesting date	Fair value per right at grant date $	Number of rights vested during 2012 Number	% vested in year %	Number of rights forfeited during 2012 Number	% forfeited in year %
2012								
C. Ricato	396,861	3 Jan 12	3 Jan 12	1.12	396,861	100%	-	-
D. Schofield	500,000	12 Sep 11	31 Dec 11	1.83	500,000	100%	-	-
J. Van de Velde	50,000	1 Sep 11	30 Aug 12	2.27	-	-	-	-
	3,851	13 Mar 12	19 Mar 12	1.29	3,851	100%	-	-
S. Broussard	100,000	25 Oct 11	24 Apr 13	2.08	-	-	-	-
	100,000	25 Oct 11	24 Apr 14	2.08	-	-	-	-
	100,000	25 Oct 11	24 Apr 15	2.08	-	-	-	-
	100,000	25 Oct 11	24 Apr 16	2.08	-	-	-	-
A. Bond	100,000	8 Aug 11	7 Feb 13	2.00	-	-	-	-
	100,000	8 Aug 11	7 Feb 14	2.00	-	-	-	-
	100,000	8 Aug 11	7 Feb 15	2.00	-	-	-	-
	100,000	8 Aug 11	7 Feb 16	2.00	-	-	-	-
	1,750,712				**900,712**	**51.4%**	**-**	**-**

Fair value of rights granted

The fair value at grant date is determined using the market price of shares of the Company as at the close of trading on the date the rights are granted.

REMUNERATION REPORT (AUDITED) *CONT.*

Rights over equity instruments

The movement during the reporting period in the number of rights to ordinary shares in Linc Energy Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Balance at start of year[1] Number	Number of rights granted as compensation during year Number	Vested during the year Number	Unvested balance at end of the year[2] Number
2012				
K. Dark	-	-	-	-
P. Bond	-	-	-	-
J. Mathews	500,000	-	(125,000)	375,000
C. Ricato	1,250,000	396,861	(896,861)	750,000
O. Yates	1,000,000	-	(250,000)	750,000
A. Rohner	-	-	-	-
K. Terblanche	1,333,333	-	(666,667)	666,666
D. Smith	1,500,000	-	(500,000)	1,000,000
D. Schofield	-	500,000	(500,000)	-
J. Van de Velde	225,000	53,851	(228,851)	50,000
S. Broussard	-	400,000	-	400,000
A. Bond	-	400,000	-	400,000
	5,808,333	**1,750,712**	**(3,167,379)**	**4,391,666**
2011				
O. Yates	-	1,000,000	-	1,000,000
J. Mathews	-	500,000	-	500,000
C. Ricato	1,750,000	-	(500,000)	1,250,000
K. Terblanche	-	2,000,000	(666,667)	1,333,333
D. Smith	-	1,500,000	-	1,500,000
	1,750,000	**5,000,000**	**(1,166,667)**	**5,583,333**

[1] *Or date commenced as a key management person.*
[2] *Or date ceased to be a key management person.*

SHAREHOLDINGS

The numbers of shares in the Company held during the financial year by each Director and other key management personnel of the Group are set out below. There were no shares granted during the reporting period as compensation.

Name	Balance at the start of the year[4] Number	Additions Number	Disposals Number	Balance at the end of the year[5] Number
Ordinary shares				
2012				
K. Dark	1,017,000	1,000,000	-	2,017,000
P. Bond[1]	202,121,028	-	-	202,121,028
J. Mathews	-	125,000	-	125,000
C. Ricato	500,000	896,861	-	1,396,861
O. Yates	278,551	250,000	-	528,551
A. Rohner	-	-	-	-
K. Terblanche	315,001	666,667	(215,000)	766,668
D. Smith[2]	18,143	500,000	(18,143)	500,000
D. Schofield	-	500,000	-	500,000
J. Van de Velde	365,000	354,351	(573,678)	145,673
S. Broussard	-	-	-	-
A. Bond	-	-	-	-
M. Mapp	-	-	-	-
	204,614,723	**4,292,879**	**(806,821)**	**208,100,781**

Name	Balance at the start of the year[4] Number	Additions Number	Disposals Number	Balance at the end of the year[5] Number
2011				
B. Johnson[3]	1,000,000	-	(1,000,000)	-
P. Bond[1]	200,923,904	1,197,124	-	202,121,028
K. Dark	597,503	1,000,000	(580,503)	1,017,000
J. Mathews	-	-	-	-
O. Yates	-	278,551	-	278,551
A. Rohner	-	-	-	-
C. Ricato	-	500,000	-	500,000
K. Terblanche	-	666,667	(351,666)	315,001
D. Smith[2]	28,143	-	(10,000)	18,143
D. Schofield	-	750,000	(750,000)	-
	202,549,550	**4,392,342**	**(2,692,169)**	**204,249,723**

[1] Mr Bond's shares are held via Newtron Pty Ltd or its nominees.
[2] Mr Smith's shares are held via a related party.
[3] Mr Johnson's shares are held via Moonstar Investments Pty Ltd atf The Pemberley Trust.
[4] Or date commenced being a key management person
[5] Or date ceased to be a key management person

END OF REMUNERATION REPORT (AUDITED).

SHARE OPTIONS

At 7 September 2012, total unissued ordinary shares of the Company under option are:

Expiry date	Exercise price range	Number of shares
31 December 2012	$0.25 to $3.16	3,974,000
31 December 2013	$0.59 to $3.16	2,698,993
31 December 2014	$1.34 to $3.16	545,330
Total		**7,218,323**

The options do not entitle the holder to participate in any share issue of the Company. All options expire on the earlier of their expiry date or one month after an employee's termination date.

SHARES ISSUED ON EXERCISE OF OPTIONS

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
1,641,500	$0.25
1,233,333	$0.60
150,000	$0.70
50,000	$0.75
483,334	$0.76
10,000	$0.79
140,000	$0.97
10,000	$1.42
200,000	$1.53
5,000	$1.79
3,923,167	

PERFORMANCE RIGHTS

At 7 September 2012, total unissued ordinary shares of the Company under performance rights are:

Vesting date (calendar year)	Number of shares
2012	1,595,337
2013	3,879,715
2014	1,965,362
2015	409,124
2016	212,416
Total	**8,061,954**

The rights do not entitle the holder to participate in any share issue of the Company.

SHARES ISSUED ON VESTING OF PERFORMANCE RIGHTS

During or since the end of the financial year, the Company issued 1,495,966 ordinary shares as a result of vested performance rights.

SHARE BUY-BACK

On 12 September 2011, Linc Energy announced its intention to buy back up to five percent of the Company's fully paid ordinary shares as part of a capital management strategy due to the Company's share price at that time. The buy-back commenced on 26 September 2011 and ceased on 26 September 2012. During the financial year 7,085,000 shares were bought for a total consideration of $12,093,302 and no further shares were bought back subsequent to the end of the reporting date.

AUDITOR

KPMG was appointed as auditor at the annual general meeting on 27 November 2008 and continues in office in accordance with section 327 of the Corporations Act 2001.

Non audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important. The Board of Directors has considered the non-audit services provided during the year by the auditor and in accordance with the written advice of the Audit and Risk Management Committee, is satisfied that the provision of those non audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Group or jointly sharing risks and rewards.

During the year the following fees were paid or payable for audit and non audit services provided by the auditor of the Group, its related practices and non related audit firms:

	2012	2011
Audit services		
KPMG Australia	326,650	293,000
Overseas KPMG firms	233,701	121,853
	560,351	**414,853**
Services other than statutory audit:		
KPMG Australia:		
Taxation advisory services	-	49,900
IT advisory services	180,491	54,797
Forensic advisory services	39,000	-
	219,491	**104,697**

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 72 and forms part of the Directors' Report.

LOANS TO DIRECTORS AND EXECUTIVES

A loan of $250,000 was provided to Ken Dark, an Independent Non-Executive Director, for the purposes of exercising options granted under the Employee Share Plan. The loan was provided on commercial terms, with interest calculated monthly at a current rate of 10.71 percent. The loan is repayable no later than four years from the date of the loan and is secured by a holding lock over the shares. At the date of this report the outstanding balance of the loan is $238,220.

On 22 August 2012, an agreement was entered into to provide a loan of up to $230,592 (£150,000) to Hillgrove Pty Ltd, a company controlled by Managing Director Peter Bond, for the purposes of providing short term funding to Powerhouse Energy Plc. The loan was provided on commercial terms, with interest calculated monthly at a current rate of 10.71 percent. The loan is repayable no later than four years from the date of the loan. Linc Energy retains the right to take over this loan from Hillgrove Pty Ltd. At the date of this report the outstanding balance of the loan is $92,480 (£60,158).

INSURANCE AND INDEMNIFICATION OF OFFICERS

Linc Energy Ltd has obtained Directors and Officers Liability Insurance. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance cover, as such disclosure is prohibited under the terms of the contract.

The Company has agreed to indemnify the following current directors of the Company, Mr K Dark, Mr P Bond, Mr J Mathews and Mr C Ricato and the following former directors, Mr O Yates, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Under the terms of the agreement entered into in August 2012, the Company has agreed to indemnify certain senior executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The senior executives in question are the Company Secretary, Mr B Burke and the former Chief Financial Officer, Mr A Rohner. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal fees.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Financial Report and Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors.

PETER BOND
MANAGING DIRECTOR

28 September 2012

Linc Energy Ltd and its Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board guides and monitors the Company's activities on behalf of the shareholders. In developing policies and standards the Board considers the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations (2nd Edition with 2010 Amendments (the CGC Recommendations). The Corporate Governance Statement set out below describes, as at 30 June 2012, the Company's corporate governance principles and practices which the Board considers to comply with the CGC Recommendations.

As the framework of how the Board of Directors at Linc Energy Ltd ("Company") carries out its duties and obligations, the Board has considered the eight principles of corporate governance as set out in the ASX Corporate Governance Principles and Recommendations, 2nd Edition ("Principles").

The eight principles of corporate governance are:

1. Lay solid foundations for management and oversight
2. Structure the Board to add value
3. Promote ethical and responsible decision-making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the right of shareholders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

There are a number of recommendations in the Principles with which the Company does not comply due to the size of the Company and the Board and its practical management requirements.

A summary of the Principles and those recommendations with which the Company does not comply are detailed at the end of this statement.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of Board and management.

RECOMMENDATION 1.1: *Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.*

The Board is responsible for the governance of the Company. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the Company's Constitution. The Board's responsibilities are encompassed in a formal Charter published on the Company's website. The Charter is reviewed annually to determine whether any changes are necessary or desirable.

The major powers the Board has reserved to itself are:

- Reviewing and approving the Company's strategic plans and performance objectives and reviewing the underlying assumptions and rationale;
- Monitoring financial outcomes and the integrity of reporting, and in particular, approving annual budgets and longer-term strategic and business plans;
- Monitoring the effectiveness of the Company's audit, risk management and compliance systems that are in place to protect the Company's assets and to minimise the possibility of the Company's operating beyond acceptable risk parameters;
- Monitoring compliance with legislative and regulatory requirements (including continuous disclosure) and ethical standards, including reviewing and ratifying codes of conduct and compliance systems;

- Selecting, appointing and monitoring the performance of the Chief Executive Officer ("CEO"), and if appropriate, terminating the appointment of the CEO;
- Reviewing senior management succession planning and development and ensuring appropriate resources are available;
- Reviewing and recommending to shareholders the appointment or if appropriate the termination of the appointment of the external auditor; and
- Monitoring the timeliness and effectiveness of reporting to shareholders.

New Directors receive a formal letter of appointment along with an induction pack. The contents of the appointment letter and induction pack contain sufficient information to allow the new Director to gain an understanding of:

- The Company's financial, strategic, operational and risk management position;
- The rights, duties and responsibilities of Directors;
- The roles and responsibilities of the Executive Team; and
- The role of Board Committees.

The Board delegates to the CEO responsibility for implementing the Company's strategic direction and for managing the Company's day-to-day operations. Clear lines of communication have been established between the Chairman and the CEO to ensure that the responsibilities and accountabilities of each are clearly understood.

Specific limits on the authority delegated to the CEO and other officers and management of the Company are set out in the Delegated Authorities Summary approved by the Board.

RECOMMENDATION 1.2 – *Company's should disclose the process for evaluating the performance of the Executive Team (Performance evaluation).*

All Executive Team members have formal position descriptions and each year key performance measures are established in line with their roles and responsibilities.

The CEO has personal objectives related to business units and the Company as a whole.

The Chairman, together with the full Board, assesses the performance of the CEO against those objectives on a regular basis at Board meetings. The Board also monitors the performance of the Chief Operating Officer ("COO"), Chief Financial Officer ("CFO"), Company Secretary and other members of the Executive Team. The Company will move to more formal processes following the introduction of the Remuneration Committee which was established during the year ended 30 June 2012.

Executive Team Performance evaluations have been conducted for the financial year ended 30 June 2012. Details of the evaluation process are disclosed in the Remuneration Report on page 52 of this Annual Report.

All newly appointed executives receive formal letters of appointment describing their terms of appointment, duties, rights and responsibilities and entitlements on termination.

An induction program is in place to enable newly appointed Executives to gain an understanding of:

- The company's financial position, strategies, operations and risk management policies; and
- The respective rights, duties, responsibilities and roles of the Board and the Executive Team.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board's size and composition is subject to limits imposed by the Company's constitution, which provides for a minimum of three Directors and a maximum of ten. The Board is composed of Directors with diverse skills and experience, relevant to the business of the Company, and the benefits of these skills and experience add value to the Company's operations.

The Board met seven times during the financial year. Director's attendances are set out on page 52 of this Annual Report.

RECOMMENDATION 2.1*: A majority of the Board should be independent directors.*

The Company considers a Director to be independent if the Director does not have any material relationship with the Company that a reasonable person would consider may influence the Director's ability to:

- Objectively make decisions on matters that come before the Board;
- Carry out their duties as a Director acting in the best interest of the Company; or
- Be free of real or reasonably perceived conflict of interests.

In assessing independence, the Board reviews the relationship that the Director and their immediate family have with the Company. In particular the Board applies the following criteria in determining independence:

- Non-executive Director;
- Is not a shareholder of the Company holding more than five percent of the voting shares or an officer of, or otherwise associated directly with, a shareholder of the Company holding more than five percent;
- Within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- Within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provider;
- Is not a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has no material contractual relationship with the Company or another Group member other than as a Director of the Company;
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company;
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board regularly assesses the independence of Non-Executive Directors and has specifically considered the independence of all Non-Executive Directors, in accordance with the above criteria, during the financial year. The Board has determined that each Non-Executive Director remains independent.

The Directors in office at the date of this statement are:

Peter Bond
Managing Director / CEO

Ken Dark
Independent Non-Executive Director
Acting Chairman

Jon Mathews
Independent Non-Executive Director

Craig Ricato
Director, Legal and Corporate Affairs

Refer to page 39 for details of each director's profile.

RECOMMENDATION 2.2: *The chair should be an independent director.*

The Acting Chairman of the Company is Mr Ken Dark who is a Non-Executive and Independent Director.

RECOMMENDATION 2.3: *The roles of the chair and managing director should not be exercised by the same individual.*

The roles of the Chairman and Managing Director are not exercised by the same individual. The Acting Chairman, Mr Ken Dark, is responsible for leading the Board in its Duties, facilitating effective discussions at Board level and ensuring that general meetings are conducted efficiently, whereas, the Managing Director, Mr Peter Bond, is responsible for the efficient and effective operation of the Company.

RECOMMENDATION 2.4: *The Board should establish a nomination committee.*

The Board has not established a nomination committee. The Board, as a whole, deals with areas that would normally fall within the charge of a nomination committee. These include matters relating to the renewal of Board Members and Board Performance.

The Board is currently developing a selection and appointment procedure for new directors. Details of the Board's policy on nomination and appointment of Directors will be made publicly available on the Company's website once completed.

RECOMMENDATION 2.5: *Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.*

The Board undertakes ongoing self-assessment and review of its performance and of the performance of the Chairman, individual Directors and the Audit and Risk Management Committee that:

- Compares the performance of the Board with the requirements of the Board Charter;
- Sets forth the goals and objectives of the Board for the upcoming year; and
- Effects any improvements to the Board Charter that are necessary or desirable.
- The Board also discusses with each Director their requirements, performance and aspects of involvement in the Company.

The Board Charter, including the evaluation process for the Board, is available on the Company's website.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making.

RECOMMENDATION 3.1: *Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- *The Practices necessary to maintain confidence in the Company's integrity;*
- *The Practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- *The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company is committed to Directors and employees maintaining high standards of integrity and ensuring that activities are in compliance with the letter and spirit of both the law and Company policies.

Directors are acquainted with obligations imposed on them and the Company by the Corporations Act and are familiar with other documents prepared by the Company to meet Corporate Governance requirements:

- Linc Energy Ltd Code of Conduct
- Linc Energy Ltd Corporate Governance Practices and Policies

The Objective of the Company's Code of Conduct is to help Directors and Employees make informed choices about their behaviour. The Code summarises the values which support the vision of the Company to be a leader in clean coal technology, as well as describing important behaviours relating to corporate citizenship, fair dealing and the environment.

The Company's Corporate Governance Practices and Policies summarises the Corporate Governance practices put in place by the Board, including:

- The Role of the Board;
- Composition of the Board;
- Independence of the Board;
- Audit Committee and Risk Management;
- Board Committees;
- Ethical Standards;
- Dealing in Shares; and
- Continuous Disclosure.

The Company's Code of Conduct and Corporate Governance Practices and Policies are available on the Company's website.

RECOMMENDATION 3.2 *Diversity policy.*

- *Listed entities should establish a policy concerning diversity.*
- *The policy or a summary of that policy is to be disclosed.*
- *The policy should include a requirement for the board to:*
  - *- establish measurable objectives for gender diversity;*
  - *- assess annually the objectives set for achieving gender diversity; and*
  - *- assess annually the progress made towards achieving the objectives set.*

The Company and the Board are committed to workplace diversity, and value the level of diversity already present within the organisation. The Company believes that continuing to promote diversity is in the best interests of the Company, its employees and its shareholders. In February 2011 the Company approved a Diversity Policy which operates alongside the Code of Conduct and provides a framework for the Company to achieve its diversity objectives.

RECOMMENDATION 3.3 *Annual reporting on diversity policy.*

- *Listed entities should disclose in each annual report the measurable objectives set by the board in accordance with the diversity policy.*
- *Listed entities should disclose in each annual report the progress made towards achieving the objectives that have been set.*

The Board has approved amendments to the Diversity Policy (which was originally approved in February 2011) and the Policy contains measurable objectives for achieving diversity and calls for annual assessment of both the objectives and progress in achieving them.

The Company's measurable objectives are to ensure that greater than 50% of female senior managers are offered an opportunity for mentoring with a view to promotion to critical leadership roles and to ensure that greater than 50% of female employees are offered an opportunity to participate in leadership training.

The Diversity Policy is available on the Company's website.

RECOMMENDATION 3.4 *Annual reporting on proportion of women.*

- *Listed entities should disclose in each annual report the proportion of women employees in the whole organisation; women in senior executive positions; and women on the board.*

The proportion of females to males at Linc Energy is 31.6%. There are two women in senior executive positions but there are currently no women on the Board.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

RECOMMENDATION 4.1: *The Board should establish an audit committee.*

RECOMMENDATION 4.2: *The audit committee should be structured so that it:*

- *Consists of only non-executive directors;*
- *Consists of a majority of independent directors;*
- *Is chaired by an independent chair, who is not chair of the Board; and*
- *Has at least three members.*

The Board has established an Audit and Risk Management Committee.

The Committee comprises:

Chairman	Mr Ken Dark – Non-executive and independent Director
Member	Mr Jon Mathews – Non-executive and independent Director

The Committee collectively and its members individually have access to internal and external resources, including access to advice from external consultants or specialists. The Committee met four times during the year, as detailed on page 52 of this Annual Report.

RECOMMENDATION 4.3: *The audit committee should have a formal charter.*

The Committee operates under a formal charter and is reviewed annually to determine whether any changes are necessary. The Charter sets out the objectives of the Audit and Risk Management Committee, roles and responsibilities, composition, structure and membership requirements of the Committee, reporting, access and relationship with the external auditors.

The Committee is responsible for:

- Overseeing and appraising the quality of the audits conducted both by the Company's external and internal auditors;
- Maintaining, by regular meetings, open lines of communication among the Board, the external auditors and the internal auditors to exchange views and information;
- Serve as an independent and objective party to review the financial information presented by management to shareholders, regulators and the general public; and
- Reviewing the adequacy of the company's administrative, operating and accounting controls.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the Company.

RECOMMENDATION 5.1: *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The Company has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of its securities. The Company discharges these obligations by releasing information to ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).

The Company Secretary is responsible to the Board, through the Chairman, on all governance matters and maintaining compliance systems which ensure the Board and Company adhere to ASX Listing Rules and the Corporations Act.

The purpose of the Company's Continuous Disclosure Policy is to:

- Summarise the Company's disclosure obligations;
- Set out key obligations for Directors, Disclosure officers, Company Secretary and CEO;
- Explain the type of information that needs to be disclosed;
- Identify who is responsible for disclosure;
- Explain the procedures for internal notification and external disclosure; and
- Procedures for monitoring compliance.

The Company's Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

RECOMMENDATION 6.1: *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

The Company's shareholder communication policy is built around compliance with disclosure obligations. The framework for communicating with shareholders is to concisely and accurately communicate:

- The Company strategy;
- How the Company implements that strategy; and
- The financial results consequent upon that strategy and its implementation.

The Board seeks to inform shareholders of all major developments affecting the Company by:

- Preparing half yearly and yearly financial reports;

- Preparing quarterly cash flow reports and reports as to activities;
- Making announcements in accordance with the listing rules and continuous disclosure obligations;
- Hosting all of the above on the Company's website;
- Annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report together with notice of meeting and proxy form; and
- Voluntarily releasing other information which it believes is in the interest of shareholders.

The Company commits to dealing fairly, transparently and openly with both current and prospective shareholders using available channels and technologies to reach widely and communicate promptly.

The Company's Shareholder Communications Policy is available on the Company's website.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

The Company has a holistic, enterprise-wide risk program for the oversight and management of material business risks.

The Company has a Treasury and Risk Management team which monitors and oversees the continuous improvement of risk identification, assessment, treatment and reporting, including legislative compliance. In the 2011-2012 Financial Year, the Company engaged an external, independent, governance expert to audit the Company's Risk and Compliance processes and to make recommendations which support the Company's business units in the implementation of the Company's enterprise-wide risk management framework.

RECOMMENDATION 7.1: *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

The Company has established a number of policies that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to the following:

- Continuous Disclosure Policy;
- Audit and Risk Management Committee Policy;
- Code of Conduct;
- Securities Trading Policy;
- Shareholder Communications Policy;
- Ethical Business Conduct Policy;
- Health and Safety Policy;
- Diversity Policy;
- Environmental Policy;
- Diversity Policy;
- Related Party Transaction Policy; and
- Corporate Governance Practices and Policies.

The above Company Policies are available on the Company's website.

RECOMMENDATION 7.2*: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.*

The Company performs regular audits of the internal control systems and risk management compliance across the Group. The audits take account of both the nature and materiality of risk.

Management provide monthly reports to the Board which include the identification of material business risks and matters relating to the effectiveness of the Company's management of its material business risk.

RECOMMENDATION 7.3: *The Board should disclose whether it has received assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The CEO and CFO have provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

RECOMMENDATION 8.1: *The Board should establish a remuneration committee.*

The Board has established a remuneration committee.

The Committee is established to support and advise the Board by setting and implementing appropriate remuneration and benefits policies and systems to:

- Attract, retain and motivate executives, directors and employees for the long-term growth and success of the Company;
- Enhance Company and individual performance for the benefit shareholders;
- Demonstrate to investors a clear relationship between performance and remuneration; and
- Support the Company's goals and values.

RECOMMENDATION 8.2: *The Remuneration Committee should be structured so that it:*

- *Consists of a majority of independent directors;*
- *Is chaired by an independent chair; and*
- *Has at least three members.*

The Remuneration Committee comprises:

Chairman

Mr Jon Mathews – Non-executive and independent Director

Member

Mr Ken Dark – Non-executive and independent Director

RECOMMENDATION 8.3: *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

A description of the structure of Non-executive Directors' remuneration and Executive Directors' remuneration is contained in the remuneration report on page 52 of this Annual Report.

DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

From 1 July 2011 to 30 June 2012, the Company complied with each of the Eight Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council, other than the recommendation specified in the table below:

RECOMMENDATION	NOTICE OF DEPARTURE	EXPLANATION FOR DEPARTURE
2.4	The Board has not established a nomination committee	The Board believes that the individuals on the Board can, and do, make quality and independent judgements in the best interest of the Company on all relevant issues.
3.2	At 30 June 2012 the Company's Diversity Policy did not contain measurable objectives nor a process for annual reporting	The Company's Diversity Policy has since been amended and now contains both measurable objectives and a process for annual reporting. The company will be in compliance with this Guideline from Financial Year 2012/2013 onwards.
4.2	The Audit and Risk Management Committee currently has only two members and is Chaired by the Chairman of the Board	Due to the size of the Board currently only the two non-executive Directors sit on the Remuneration Committee.
8.2	The Remuneration Committee currently has only two members	Due to the size of the Board currently only the two non-executive Directors sit on the Remuneration Committee.

LEAD AUDITOR'S INDEPENDENCE **DECLARATION**

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Linc Energy Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Simon Crane
Partner
Brisbane
28 September 2012

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This financial report contains the consolidated financial statements for the consolidated entity consisting of Linc Energy Ltd and its subsidiaries (the Group). Information required by the *Corporations Amendment Regulations 2010* in respect of the parent entity is included in note 32 of this report.

The financial report is presented in Australian Dollars.

Linc Energy Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 32 Edward Street, Brisbane, QLD 4000.

A description of the nature of the entity's operations and its principal activities is included in the review of operations and activities on pages 11 to 36 and in the Directors' Report on pages 47 to 52, both of which are not part of this financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available at our Investors Centre on our website: www.lincenergy.com.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Revenue	2	**57,060**	3,199
Cost of sales	3	**(31,680)**	(2,992)
Gross Profit		**25,380**	207
Gain on sale of coal tenement, net of costs		-	495,001
Gain on purchase of oil and gas assets		-	6,027
Other income	2	**1,075**	971
Expenses:			
Administration and corporate		**(74,743)**	(57,550)
Site operating costs		**(12,367)**	(12,666)
Exploration and evaluation		**(3,326)**	(2,455)
Technology development		**(18,063)**	(18,997)
Activities		**(82,044)**	410,538
Finance income	4	**3,578**	22,181
Finance expenses	4	**(11,231)**	(413)
Net finance income / (expense)		**(7,653)**	21,768
Profit / (loss) before income tax		**(89,697)**	432,306
Income tax benefit / (expense)	5	**27,804**	(135,865)
Profit / (loss) for the year		**(61,893)**	296,441
Other comprehensive income			
Net change in the fair value of available-for-sale financial assets, net of transaction costs and tax		**(7,895)**	5,726
Foreign currency translation differences for foreign operations		**(597)**	554
Other comprehensive income / (loss) for the year, net of income tax		**(8,492)**	6,280
Total comprehensive income / (loss) for the year		**(70,385)**	302,721
Profit / (loss) attributable to:			
Equity holders of Linc Energy Ltd		**(61,891)**	296,455
Non-controlling interest		**(2)**	(14)
Profit / (loss) for the year		**(61,893)**	296,441

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Total comprehensive income / (loss) attributable to			
Equity holders of Linc Energy Ltd		**(70,379)**	302,757
Non-controlling interest		**(6)**	(36)
Total comprehensive income / (loss) for the year		**(70,385)**	302,721

	Notes	Cents	Cents
Earnings per share attributable to the ordinary equity holders Linc Energy Ltd:			
Basic earnings / (loss) per share	23	**(12.18)**	59.27
Diluted earnings / (loss) per share	23	**(12.18)**	57.71

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **AS AT 30 JUNE 2012**

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
ASSETS			
Cash and cash equivalents	6	**25,680**	310,343
Trade and other receivables	7	**17,712**	2,654
Inventories	8	**2,773**	936
Assets classified as held for sale	9	**-**	9,032
Other assets	10	**-**	15,814
Total current assets		**46,165**	338,779
Receivables	7	**15,127**	5,856
Intangibles	11	**248,711**	195,108
Property, plant and equipment	12	**18,842**	12,775
Oil and gas assets	13	**384,581**	25,288
Available-for-sale investments	14	**13,652**	23,128
Deferred tax assets	5	**701**	19
Total non-current assets		**681,614**	262,174
Total assets		**727,779**	600,953

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
LIABILITIES			
Trade and other payables	15	**38,851**	14,927
Borrowings	16	**185,678**	2,786
Current tax liability		**31**	10,781
Provisions	17	**3,702**	2,894
Other financial liability	18	**221**	-
Total current liabilities		**228,483**	31,388
Payables	15	**1,174**	-
Borrowings	16	**1,144**	1,866
Deferred tax liability	5	**18,922**	48,331
Provisions	17	**24,020**	5,647
Other financial liability	18	**162**	-
Total non-current liabilities		**45,422**	55,844
Total liabilities		**273,905**	87,232
Net assets		**453,874**	513,721
EQUITY			
Share capital	19	**310,606**	309,493
Reserves	20	**31,537**	40,377
Retained earnings	22	**101,903**	163,794
Total equity attributable to equity holders of the company		**444,046**	513,664
Non-controlling interest		**9,828**	57
Total equity		**453,874**	513,721

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **FOR THE YEAR ENDED 30 JUNE 2012**

in thousands $'000	Share capital	Foreign currency translation	Available-for-sale reserve	Other reserves	Share-based payments	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the company								
Balance as at 1 July 2010	287,388	(102)	-	5,309	23,655	(83,018)	233,232	93	233,325
Total comprehensive income for the period									
Profit / (loss) for the period	-	-	-	-	-	296,455	296,455	(14)	296,441
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	576	-	-	-	-	576	(22)	554
Net change in fair value of available-for-sale financial assets, net of tax	-	-	5,726	-	-	-	5,726	-	5,726
Total other comprehensive income	-	576	5,726	-	-	-	6,302	(22)	6,280
Total comprehensive income for the period	-	576	5,726	-	-	296,455	302,757	(36)	302,721
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Contributions of equity, net of transaction costs	4,500	-	-	-	-	-	4,500	-	4,500
Share-based payment expense	-	-	-	-	15,232	-	15,232	-	15,232
Shares issued and transferred from share-based payment reserve on vesting of performance rights	2,574	-	-	-	(2,574)	-	-	-	-
Shares issued and transferred from share-based payment reserve on exercise of options	14,950	-	-	-	(7,445)	-	7,505	-	7,505
Shares issued as compensation for land access	81	-	-	-	-	-	81	-	81
Dividends to equity holders	-	-	-	-	-	(49,643)	(49,643)	-	(49,643)
Total contributions by and distribution to owners	22,105	-	-	-	5,213	(49,643)	(22,325)	-	(22,325)
Balance as at 30 June 2011	**309,493**	**474**	**5,726**	**5,309**	**28,868**	**163,794**	**513,664**	**57**	**513,721**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **FOR THE YEAR ENDED 30 JUNE 2012**

	Attributable to equity holders of the company								
in thousands $'000	Share capital	Foreign currency translation	Available-for-sale reserve	Other reserves	Share-based payments	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 30 June 2011	309,493	474	5,726	5,309	28,868	163,794	513,664	57	513,721
Total comprehensive income for the period									
Profit / (loss) for the period	-	-	-	-	-	(61,891)	(61,891)	(2)	(61,893)
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	(593)	-	-	-	-	(593)	(4)	(597)
Net change in fair value of available-for-sale financial assets, net of tax	-	-	(7,895)	-	-	-	(7,895)	-	(7,895)
Total other comprehensive income	-	(593)	(7,895)	-	-	-	(8,488)	(4)	(8,492)
Total comprehensive income for the period	-	(593)	(7,895)	-	-	(61,891)	(70,379)	(6)	(70,385)
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Share-based payment expense	-	-	-	-	10,721	-	10,721	-	10,721
Shares issued and transferred from share-based payment reserve on vesting of performance rights	9,571	-	-	-	(9,571)	-	-	-	-
Shares issued and transferred from share-based payment reserve on exercise of options	3,635	-	-	-	(1,502)	-	2,133	-	2,133
Shares purchased and cancelled via buy-back	(12,093)	-	-	-	-	-	(12,093)	-	(12,093)
Total contributions by and distribution to owners	1,113	-	-	-	(352)	-	761	-	761
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests	-	-	-	-	-	-	-	9,777	9,777
Total transactions with owners	1,113	-	-	-	(352)	-	761	9,777	10,538
Balance as at 30 June 2012	**310,606**	**(119)**	**(2,169)**	**5,309**	**28,516**	**101,903**	**444,046**	**9,828**	**453,874**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers and other debtors (inclusive of goods and services tax)		**48,208**	3,756
Payments to suppliers and employees (inclusive of goods and services tax)		**(110,654)**	(53,023)
Interest and borrowing costs paid		**(10,186)**	(413)
Payments for commodity swaps		**(3,634)**	-
Income taxes paid		**(9,651)**	(30,802)
Net cash used in operating activities	6	**(85,917)**	(80,482)
Cash flows from investing activities			
Payments for property, plant and equipment		**(6,716)**	(4,192)
Proceeds from disposal of property, plant and equipment		**23**	88
Proceeds from sale of coal tenement		**-**	500,000
Payments for software		**(1,929)**	(410)
Payments for exploration and evaluation (including tenement acquisitions)		**(35,169)**	(34,041)
Payments for development activities		**(32,550)**	(8,807)
Payments for equity investments		**(1,804)**	(16,894)
Payments for acquisition of producing oil and gas assets	28	**(254,697)**	(18,268)
Payment for Umiat acquisition net of cash acquired	13	**(44,660)**	-
Loan to non-executive director	31	**(250)**	-
Deposits paid on acquisitions in progress		**-**	(14,158)
Interest received		**3,623**	20,175
Net cash transferred (to) / from term deposits held as investments		**856**	-
Net cash transferred (to) / from term deposits held as security guarantees		**(5,718)**	(3,150)
Net cash from / (used) in investing activities		**(378,991)**	420,343

	Notes	Consolidated 2012 $'000	2011 $'000
Cash flows from financing activities			
Proceeds from the exercise of share options		**2,133**	7,555
Proceeds from the extinguishment of convertible loan facility		**-**	5,018
Proceeds from borrowings		**191,433**	775
Repayment of borrowings		**(1,800)**	-
Repayment of finance lease liabilities		**(1,274)**	(1,104)
Dividends paid		**-**	(49,643)
Payments for share buy-backs net of costs		**(12,093)**	-
Net cash from / (used) in financing activities		**178,399**	(37,399)
Net increase / (decrease) in cash and cash equivalents		**(286,509)**	302,462
Cash and cash equivalents at 1 July		**310,343**	7,365
Effect of exchange rate fluctuations on cash held		**1,846**	516
Cash and cash equivalents at 30 June	6	**25,680**	310,343

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Linc Energy Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 32 Edward Street, Brisbane, QLD 4000. The Group is a for-profit entity and is primarily involved in the exploration for, development and production of conventional oil and coal resources and unconventional syngas through the utilisation of its unique underground coal gasification technology.

(a) BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASB's") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial statements of the Group comply with International Financial Reporting Standards ("IFRS's") adopted by the International Accounting Standards Board ("IASB"). The consolidated financial statements were authorised for issue by the Board of Directors on 28 September 2012. The Directors have the power to amend and reissue the financial report.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Available-for-sale financial assets which are recognised at fair value.
- Financial assets which are recognised at fair value.
- Financial liabilities which are recognised at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

Covenant breach and reclassification of non-current liability

At 30 June 2012 the Group was technically in breach of the current ratio requirement of the loan covenant in respect of the Gulf Coast Reserve-Based Lending Facility (refer note 16). Under the terms of the credit agreement this technical breach allows the lenders, at their discretion, to declare the loan due and payable immediately. Although the breach was rectified as soon as it was identified and a waiver was subsequently received from the lenders, Australian Accounting Standards mandate that the loan be classified as a current liability at the reporting date as the Group did not have an unconditional right to defer settlement of the liability for a period of greater than 12 months at the reporting date.

Had this liability not been classified as current, the Liabilities section of the Group's consolidated balance sheet would have looked as set out below:

	2012 $'000	2011 $'000
LIABILITIES		
Trade and other payables	**38,851**	14,927
Borrowings	**59,654**	2,786
Current tax liability	**31**	10,781
Provisions	**3,702**	2,894
Other financial liability	**221**	-
Total current liabilities	**102, 459**	31,388
Payables	**1,174**	-
Borrowings	**127,168**	1,866
Deferred tax liability	**18,922**	48,331
Provisions	**24,020**	5,647
Other financial liability	**162**	-
Total non-current liabilities	**171,446**	55,844
Total liabilities	**273,905**	87,232

Basis of preparation – operational performance and funding

The financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. For the year ended 30 June 2012, the Group recorded an operating loss after tax for the year of $61,893,000 and cash outflows from operating activities of $85,917,000. At 30 June 2012 the Group had cash and cash equivalents of $25,680,000 and total current assets of $46,165,000, while it had accounts payable and accrued creditors of $38,851,000 and total current liabilities of $228,483,000 following the classification of the Reserve Based Lending Facility as current. At 30 June 2012 the Group had access to a Line of Credit facility with an undrawn amount of $60,000,000, but with the existing balance drawn having a face value of $60,000,000 repayable in less than one year. Subsequent to year end the breach was rectified and a waiver was obtained, resulting in the Reserve Based Lending Facility liability of $126,025,000 being reclassified as a non-current liability.

The Group announced on 6 September 2012 that the Line of Credit facility had been extended by 3 years. The Group also announced on 14 September 2012 that it had commenced the process to raise approximately USD$265,000,000 via the issue of a corporate bond. As at the date of this report this process is ongoing. The Directors are confident that the combination of the remaining line of credit facility, the funds receivable from the bond issue, the forecast increases in oil production and cash flows from the Gulf Coast oil assets (discussed in the Directors' Report), ongoing commercial negotiations for the divestment of non-core assets and the ability of the Group to reduce discretionary project expenditure and overheads, confirms the appropriateness of the going concern assumption in respect of the preparation of the financial statements at 30 June 2012.

Rounding of amounts

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 5 - Income tax
- Note 11 – Intangibles, including carrying value of goodwill, coal-to-liquids development costs and exploration and evaluation costs
- Note 13 – Oil and gas assets, including classification of assets and recoverability of assets
- Note 27 – Contingent assets and liabilities

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 – Income tax, including amounts deductible in respect of research and development
- Note 13 – Oil and gas assets, including reserve determination
- Note 17 – Provisions
- Note 28 – Business combinations, including determining fair values of identifiable assets acquired and liabilities assumed

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(aa).

Accounting policies

Certain comparative amounts in the financial statements have been reclassified to conform with the current year's presentation.

(b) BASIS OF CONSOLIDATION

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date the on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill at acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) BASIS OF CONSOLIDATION (CONT.)

Bargain purchase gain

The Group recognises a bargain purchase gain in the statement of comprehensive income if the cost of an acquisition is less than the Group's share of the net fair value of the identifiable net assets acquired.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised. The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions with the exception of unrealised foreign exchange gains or losses on intercompany receivables and payables, are eliminated in preparing the consolidated financial statements.

(c) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Gas sales revenue

The Group has entered into a gas sales contract with its customer containing a take or pay arrangement. Revenue from the sale of gas is recognised when the gas is delivered to the customer. If the contracted minimum volume of gas is not taken, the customer must pay for the minimum contracted volume.

Oil sales revenue

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of physical delivery of the goods to the customer. Revenue from oil sales is recognised on the basis of the Group's net interest in a producing field.

(d) FINANCE INCOME AND FINANCE EXPENSES

Finance income comprises interest income on bank accounts and term deposit and gains on derivative financial instruments. Interest income is recognised as it accrues in profit and loss, using the effective interest method.

Finance expenses comprise of interest expense on borrowings, borrowing costs and losses on derivative financial instruments. All borrowing costs are recognised in profit and loss using the effective interest method.

(e) INCOME TAX

The income tax benefit/expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and difference arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

The Company and its wholly owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are treated as a single entity. The head entity within the tax-consolidated group is Linc Energy Ltd.

Nature of tax funding arrangement and tax sharing agreements

The Company, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement to set out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the Company recognising an inter-entity payable / (receivable) equal in amount to the tax liability / (asset) assumed. The inter-entity payable / (receivable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Company, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(f) EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(g) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement generally within 30-90 day terms.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence amounts will not be able to be collected according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income.

(i) INVENTORIES

Oil, raw materials and stores

Oil in tanks, raw materials and stores are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(j) ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use within the next twelve months. They are measured at the lower of their carrying amount and fair value less costs to sell. These assets are not depreciated but are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

(k) INTANGIBLES

Coal-to-liquids development costs

Costs incurred on coal-to-liquids development projects (relating to the design and testing of the Group's coal-to-liquids technology) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

The useful life of capitalised coal-to-liquids development costs for the year ended 30 June 2011 was between two and five years with an average of three years remaining on the majority of assets. Following the successful commissioning and operation of Gasifier 5, which is considered to be the basis of Linc 's commercial UCG technology, and in conjunction with recent business development activities including the proposed commercial projects currently being considered by the Group, a review of the coal-to-liquids intangible asset has resulted in a reassessment of the components of the asset and an extension of their useful lives. The components of the coal-to-liquid intangible asset have been componentised into UCG technology with a 10 year useful life (9.5 years remaining) and the GTL technology which will be amortised once ready for use. The effect of this change is a decrease in amortisation expense of $7,000,000 in the consolidated statement of comprehensive income in the current year. In future year's amortisation expense will be $1,800,000, a decrease of $12,000,000 from the prior useful lives.

Exploration and evaluation

Exploration and evaluation expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, sale of the respective areas of interest or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and the Group continues to hold the rights to the tenement.

Accumulated costs in relation to an abandoned area are written off in full to the statement of comprehensive income in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are tested for impairment and transferred to development costs or to oil and gas properties depending on the nature of the resource and amortised over the life of the area of interest according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure (see note 1(u)).

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

(l) RESEARCH AND DEVELOPMENT EXPENDITURE

The Group classifies the entire coal-to-liquids demonstration facility (pilot plant) and ongoing technology development at the site as research and development expenditure. Costs incurred in constructing the Group's coal-to-liquids demonstration facility have been capitalised and included within Intangibles in the balance sheet (refer note 1(k)). Costs that do not meet the recognition criteria of an intangible asset have been recognised in the statement of comprehensive income.

(m) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the diminishing value method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives, as follows:

Asset type	Estimated useful life
Buildings	40 years
Motor vehicles	5 years
Office equipment and furniture	2 to 5 years
Plant and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(o)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(n) OIL AND GAS ASSETS

Oil and gas assets include the initial cost of acquisition, together with the cost of construction, installation or completion of infrastructure facilities such as pipelines or processing plants, transferred exploration and evaluation costs, and the cost of development wells. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Oil and gas assets other than land are depreciated to their residual values on a unit of production basis over the economically recoverable proved and probable hydrocarbon reserves.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(o)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(o) IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have previously suffered impairment are reviewed for possible reversal at each reporting date.

(p) AVAILABLE-FOR-SALE ASSETS

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. The Group's investments in equity securities are classified as available-for-sale financial assets and recognised at fair value which is determined by reference to the stock exchange closing share price at reporting date. Subsequent to initial recognition, changes in fair value, other than impairment losses, are recognised in other comprehensive income and presented within equity in the available-for-sale reserve. When an investment is disposed of or impaired, the cumulative gain or loss in equity is transferred to profit and loss.

(q) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) LEASES

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(r) LEASES (CONT.)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(s) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are incremental costs relating to the facility, are offset against the liability and amortised on an effective interest basis over the term of the facility.

(t) DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to hedge its exposure to commodity price risk. The Group records all derivative instruments as either assets or liabilities at fair value, other than the derivative instruments that meet the normal purchase and sales exclusion. The Group has not elected to designate its derivative instruments in a hedge relationship and, therefore, recognises all changes in fair value of its derivative financial instruments immediately through financial expenses in profit and loss.

(u) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

If the effect is material, provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Site restoration and rehabilitation

In accordance with its environmental obligations the Group recognises a provision for the cost of decommissioning its demonstration UCG and CTL facilities, rehabilitating its exploration drill holes and decommissioning and rehabilitating its oil and gas wells, pipelines and processing infrastructure. A provision for decommissioning and/or restoration and the related expense is recognised when an area is disturbed as a result of the Group's activities. A provision for rehabilitation and the related expense is recognised when a drilling program is completed.

Increases in decommissioning and rehabilitation provisions in respect of oil and gas activities are capitalised to Oil & Gas Assets and amortised using the units of production basis over the economically recoverable reserves in the relevant area.

(v) EMPLOYEE BENEFITS

Share-based payments

Share-based compensation benefits are provided to employees via the Group's Performance Rights Plan and the previous Employee Option Plan. Information relating to these schemes is set out in note 30.

The fair value of rights granted under the Performance Rights Plan and options granted under the Employee Option Plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options (the "vesting period").

The fair value at grant date for performance rights is based on the closing price of Linc Energy Ltd stock on that day. The fair value at grant date for options is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of the dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions, as these are included in assumptions about the number of options that are expected to become exercisable. At each reporting date the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in other payables or provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Retirement benefit obligations

The Group contributes to defined contribution superannuation plans for all employees in accordance with relevant legislation. The Group makes fixed contributions at the current rate of nine percent of gross salary and the Group's obligations are limited to these contributions. Contributions are recognised as an expense as they become payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match the estimated future cash outflows.

(w) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction.

When share capital recognised as equity is repurchased, the amount of consideration paid, including directly attributable costs, net of any tax effects is recognised as a deduction in equity.

Dividends are recognised as a liability in the period in which they are declared.

(x) FOREIGN CURRENCY TRANSLATION

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the Statement of Financial Position
- Income and expenses are translated at the exchange rate at the date of the transaction (or an average annual rate where not materially different), and
- All resulting exchange differences are recognised as a separate component of equity.

(y) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(z) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as available-for-sale securities and financial assets at fair value through profit and loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price, while the current ask price is used for financial liabilities. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that assets or liability.

(aa) CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Actual results may differ from those estimates, judgements and assumptions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(aa) CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (CONT.)

The estimates, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of assets

In the absence of quoted market prices, estimates of the recoverable amounts of assets are based on the present value of future cash flows. For oil and gas assets, expected future cash flows are based on reserves, future production profiles, commodity prices and costs.

Exploration and evaluation

The Group currently capitalises exploration costs. The Group's policy for exploration and evaluation assets is set out in note 1(k) and requires certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessments of whether economic quantities of reserves have been found. Estimates and assumptions may change as new information becomes available. If, after capitalising expenditure, management concludes that it is unlikely to recover expenditure through future exploitation or sale, then the relevant capitalised amount will be written off the statement of comprehensive income.

Income tax – research and development

The Group provides for the amount of tax payable on its estimated assessable income for the year. A significant component in determining the amount payable is the estimate of research and development expenditure deductible in respect of current and prior years.

Oil and gas assets – reserve estimation

The amount of proved and probable reserves is reassessed at each reporting date for the purposes of assessing possible impairment of assets and calculating depletion of acquired oil and gas assets and capitalised exploration, evaluation and development costs. Reserves are determined by independent third party reserve certification consultants and conform to guidelines issued by the Society of Petroleum Engineers. Estimated reserve quantities incorporate assumptions about future development and production costs and expected oil commodity prices. These estimates can change from period to period due to changes in these assumptions and as additional geological data is generated through drilling operations.

Provision for site restoration

The Group has provided for site restoration costs to allow for any necessary decommissioning and rehabilitation work at its coal-to-liquids technology development sites in Chinchilla and Wyoming, in the event of cessation of all activities at these sites. This provision is based on the Directors' best estimate of the costs of this work, which is consistent with estimates submitted to and approved by the relevant regulatory authorities in each jurisdiction.

The Group has also provided for the costs associated with rehabilitating disturbance caused by its exploration drilling in prior years. This provision is based on quotes received from third parties to undertake the required work. The Group has also provided for the costs associated with rehabilitation and decommissioning in respect of its US oil production activities. Increases in the provision are capitalised to Oil & Gas Assets and amortised over the life of the field using the units of production method based on economically recoverable reserves.

Business combinations

Acquired assets and liabilities are initially recognised at fair value. The fair value of acquired oil and gas assets is determined by independent third party reserve certification consultants and incorporates assumptions including the quantity of proved oil reserves, future development costs and expected oil prices.

(bb) SEGMENT REPORTING

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker in accordance with AASB 8 Operating Segments.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(cc) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except as set out below:

- AASB 9 *Financial Instruments*, Exposure Draft 2011/3 *Amendments to IFRS 9 Financial Instruments* (November 2009) and IFRS 9 *Financial Instruments* (October 2010), which become mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not yet been determined.
- AASB 10 *Consolidated Financial Statements*; AASB 11 *Joint Arrangements*; AASB 12 *Disclosure of Interests in Other Entities*; AASB 127 *Separate Financial Statements*; AASB 128 *Investments in Associates and Joint Ventures*; and AASB 13 *Fair Value Measurement*. These standards will be effective for the Group's 30 June 2014 financial statements. Any amendments are generally to be applied retrospectively and the extent of the impact has not yet been determined.

2. REVENUE AND OTHER INCOME

	2012 $'000	2011 $'000
Revenue from continuing operations		
Syngas sales revenue - Uzbekistan	**1,962**	1,414
Oil sales revenue - USA	**55,098**	1,785
	57,060	3,199
Other income includes:		
Lease income	**152**	499
Sundry income	**923**	472
	1,075	971

3. EXPENSES

Profit before income tax includes the following specific expenses:

	2012 $'000	2011 $'000
Cost of sales		
Production expenses	**13,228**	2,181
Royalties and production taxes	**3,419**	108
Workover expenses	**3,946**	373
Depletion and accretion expense of oil & gas assets	**11,087**	330
Total cost of sales	**31,680**	2,992
Depreciation and amortisation		
Depreciation		
Buildings	**12**	12
Motor vehicles	**365**	198
Office equipment and furniture	**800**	262
Plant and equipment	**885**	580
Oil and gas field infrastructure, plant and equipment	**1,015**	-
Total depreciation	**3,078**	1,052

3. EXPENSES (CONT.)

	2012 $'000	2011 $'000
Amortisation		
Coal-to-liquids technology development	**5,885**	10,844
Software	**424**	223
Total amortisation	**6,309**	11,067
Total depreciation and amortisation	**9,387**	12,119
Impairment expense	**1,841**	-
Employee benefits expenses		
Salaries and wages	**33,439**	20,807
Contributions to defined contribution superannuation plans	**2,288**	1,615
Other employee costs	**4,568**	519
Increase in provision for employee entitlements	**532**	222
Share-based payments	**10,721**	15,232
Total employee benefits expenses	**51,548**	38,395
Net (gain) / loss on disposal of non-current assets	**121**	(23)
Research and development expenditure[1]	**24,627**	19,618
Net foreign exchange (gains)/losses[2]	**4,630**	7,707
Rental expense relating to operating leases		
Office premises	**2,603**	1,084
Total rental expense relating to operating leases	**2,603**	1,084

[1] Research and development expenditure is disclosed here for information purposes – the amount includes expenditure also classified in other categories such as employee benefits expenses and site operating expenses.

[2] The net foreign exchange losses in 2012 includes an amount of $5,149,000 (2011: $7,090,000) relating to unrealised exchange differences on working capital intercompany receivables denominated in Australian Dollars.

4. FINANCE INCOME AND FINANCE EXPENSES

	2012 $'000	2011 $'000
Finance income recognised in profit and loss		
Interest income on cash and cash equivalents	**3,564**	22,181
Interest income on loans	**14**	-
Total finance income costs	**3,578**	22,181
Finance expenses recognised in profit and loss		
Interest and finance charges paid or payable	**(3,234)**	(413)
Net loss on derivative financial instruments	**(4,011)**	-
Borrowing costs	**(3,986)**	-
Total finance expenses	**(11,231)**	(413)
Net financing costs	**(7,653)**	21,768
Recognised in other comprehensive income		
Net change in the fair value of available-for-sale financial assets, net of transaction costs and tax	**(7,895)**	5,726

5. INCOME TAX

	2012 $'000	2011 $'000
(a) Income tax expense / (benefit)		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	**(23,790)**	41,583
Adjustments in respect of current income tax of previous years	**(1,772)**	-
Deferred income tax		
Relating to origination and reversal of temporary differences	**(2,242)**	93,831
Adjustments in respect of deferred tax on previous years	**-**	451
Income tax (benefit) / expense reported in the statement of comprehensive income	**(27,804)**	135,865

	2012 $'000	2011 $'000
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged / (credited) directly to equity (note 20):		
Available-for-sale investment reserve	**3,384**	(2,454)
Income tax expense / (credit) reported in equity	**3,384**	(2,454)

(c) Numerical reconciliation between aggregate tax expense / (benefit) recognised in the statement of comprehensive income and income tax expense / (benefit) calculated per the statutory income tax rate

A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2012 $'000	2011 $'000
Accounting profit / (loss) before tax	**(89,697)**	432,306
At the parent entity's statutory income tax rate of 30% (2011: 30%)	**(26,909)**	129,692
Amounts not deductible / (taxable) in calculating taxable income:		
Share-based payments (equity settled)	**3,216**	4,570
Under/over provision from prior years	**(1,772)**	(586)
Research and development	**7,388**	(1,471)
Foreign tax rate differential	**(225)**	(506)
Other	**931**	376
Tax losses (not previously) / not recognised		
Current year	**(10,434)**	4,241
Prior year	**-**	(451)
Income tax (benefit) / expense from continuing operations	**(27,804)**	135,865

	2012 $'000	2011 $'000
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax assets		
Temporary differences attributable to:		
Share issue expenses	**302**	723
Provisions	**1,542**	1,597
Property, plant and equipment	**-**	-
Borrowing costs	**16**	-
Other	**862**	407
Tax losses	**34,898**	-
Total deferred tax assets	**37,620**	2,727
Set-off of deferred tax liabilities pursuant to set-off provisions	**(36,919)**	(2,708)
Net deferred tax assets	**701**	19
(ii) Deferred tax liabilities		
Temporary differences attributable to:		
Exploration capitalised	**28,280**	48,555
Accrued revenue	**8**	30
Investments	**27,540**	-
Other	**13**	2,454
Total deferred tax liabilities	**55,841**	51,039
Set-off of deferred tax liabilities pursuant to set-off provisions	**(36,919)**	(2,708)
Net deferred tax liabilities	**18,922**	48,331

(d) Tax expense / (benefit)

The tax expense and tax payable at 30 June 2011 included the tax payable on the upfront proceeds of the sale of the Galilee coal tenement. The tax expense did not include any amount in respect of the future royalty stream payable by Adani in respect of any coal produced from the tenement. See note 27 for more information on the contingent tax liability related to the Adani royalty.

(e) Tax losses

A deferred tax asset has been recognised in respect of tax losses, tax credits and deductible temporary differences, as it is probable that future taxable profits will be available against which they can be utilised. The deferred tax assets have been offset against the deferred tax liabilities to the extent that they relate to income taxes levied by the same tax authority.

5. INCOME TAX (CONT.)

(f) Unrecognised temporary differences

At 30 June 2012, there are no temporary differences that have not been recognised. In particular, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, associates or joint ventures, as there were no undistributed earnings of Group subsidiaries, associates or joint ventures (2011: $Nil).

(g) Franking credits

At 30 June 2012 the Australian tax consolidated group has 19,285,449 imputation credits available for use in future periods resulting from payments of Australian federal income tax in 2011/12.

6. CASH AND CASH EQUIVALENTS

	2012 $'000	2011 $'000
Cash at bank and on hand	**25,680**	310,343
	25,680	310,343

Reconciliation of profit / (loss) after income tax to net cash outflow from operating activities

	2012 $'000	2011 $'000
Profit / (loss) for the year	**(61,893)**	296,441
Finance income	**(3,578)**	(20,226)
Interest expense	**(912)**	413
Net (gain) or loss on sale of assets held for sale	**-**	(495,001)
Net (gain) or loss on settlement of financial instrument	**377**	(1,954)
Net (gain) or loss on sale of non-current assets	**72**	(23)
Net (gain) or loss on purchase of oil and gas assets	**-**	(6,027)
Net (gain) or loss on foreign exchange	**(4,845)**	3,312
Depreciation, amortisation, accretion and depletion	**20,474**	12,449
Non cash employee benefits (share-based payments)	**10,721**	15,232
Recognition of deferred tax on items directly in equity	**3,384**	(2,454)
Fair value loss on financial asset through profit and loss	**1,841**	90
Changes in operating assets		
Decrease / (increase) in receivables	**(8,329)**	(987)
Decrease / (increase) in prepayments	**(232)**	(640)
Decrease / (increase) in inventories	**(1,816)**	(458)
Increase / (decrease) in trade creditors	**(708)**	6,898
Increase / (decrease) in other payables	**(10,474)**	13,448
(Decrease) / increase in other provisions	**91**	2,269
(Increase) / decrease in deferred tax assets	**(34,211)**	99,293
(Decrease) / increase in deferred tax liabilities	**4,121**	(2,557)
Net cash outflow from operating activities	**(85,917)**	(80.482)
Non-cash investing and financing activities		
Acquisition of assets by finance lease	**950**	161
Shares issued in repayment of convertible equity tranches	**-**	4,500
	950	4,661

7. TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Current		
Trade receivables	**13,998**	119
Other receivables (a)	**1,406**	1,399
Prepayments	**876**	729
Deposits (b)	**1,432**	407
Total current trade and other receivables	**17,712**	2,654

	2012 $'000	2011 $'000
Non-current		
Deposits (c)	**9,319**	1,442
Term deposits (d)	**4,933**	3,944
Loan to non-executive director (e)	**250**	-
Other receivable	**625**	470
Total non-current trade and other receivables	**15,127**	5,856

None of the trade and other receivables are impaired or past due but not impaired. Due to the short-term nature of current receivables, their carrying amount is assumed to approximate their fair value. The fair values of non-current receivables are consistent with their carrying amounts. The Group's exposure to risk is discussed in note 25.

(a) Current other receivables are amounts generally arising from Business Activity Statement refunds, accrued interest on deposits and amounts receivable from employees.

(b) Current deposits relate to normal trade deposits for example rental bonds on property leases. Included in current deposits at 30 June 2012 was an amount of $1,432,000 placed in escrow to secure access to equipment required for the upcoming Umiat winter drilling activities.

(c) Non-current deposits relate to security held in relation to mining tenements. These deposits are returned on relinquishment of a tenement subject to satisfactory compliance with environmental and other regulatory requirements.

(d) Term deposits are held by banking institutions as security against guarantees and credit card facilities of the Group. These funds are not available for general use as working capital.

(e) A loan of $250,000 was provided to a Non-Executive Director to fund the exercise of options under the Employee Option plan. Details are set out in note 31.

8. INVENTORIES

	2012 $'000	2011 $'000
Raw materials and stores – at cost	**2,773**	936
	2,773	936

9. ASSETS CLASSIFIED AS HELD FOR SALE

	2012 $'000	2011 $'000
Intangible assets		
Exploration and evaluation – at cost	-	9,032
	-	9,032

Given the significant increase in development activity planned for 2012/2013 at the Teresa mine and the length of time that both the Teresa (Bowen Basin) and Pentland (Galilee Basin) tenements have been classified as 'held for sale' these assets totalling $9,032,000 have been reclassified back to Exploration and Evaluation Intangible Assets. The Group continues to pursue the sale of the Teresa (Bowen Basin) and Pentland (Galilee Basin) non-core coal tenements and discussions are ongoing with a number of interested parties for the sale of these assets either by full or partial divestment. However, the Group continues to progress development of these assets so as to continue to add value to them and improve their prospects for sale.

At 30 June 2012, the carrying amounts of the tenements held for sale were:		
Bowen Basin	-	8,433
Galilee Basin	-	599
	-	9,032

10. OTHER ASSETS

	2012 $'000	2011 $'000
Deposits on Acquisitions (a)	-	14,158
Financial Assets (b)	-	1,656
	-	15,814

(a) On 6 June 2011, Linc Energy entered into an agreement to acquire oil fields in Texas and Louisiana, USA, from ERG Resources LLC ("ERG"), at a purchase price of USD$236,000,000. The acquisition included 14 Oil fields consisting of 156 leases covering approximately 13,400 acres. A deposit was paid to ERG to the value of USD$10,000,000 (A$9,438,414).

On 16 June 2011, Linc Energy entered into an agreement to acquire a controlling interest in the 'Umiat' Oil Field in Alaska, USA, via the purchase of an 84.5% interest in Renaissance Umiat LLC (which owns a 100% working interest and 80% net revenue interest in the Umiat Project) for USD$50,000,000 plus working capital adjustments. A deposit was paid to Renaissance Umiat LLC of USD$5,000,000 (A$4,719,207).

10. OTHER ASSETS (CONT.)

(b) On 11 March 2011, Linc Energy announced the purchase of a ten percent interest in Powerhouse Energy Plc for USD$6,000,000. The purchase price also included options to acquire an additional USD$6,000,000 of shares in the future at a discount to the market price. These options were recognised as financial assets and re-valued at each reporting date with gains and losses being recognised in the statement of comprehensive income. However, during the year Powerhouse Energy was suspended from trading on AIM following its failure to lodge audited financial statements by the required deadline. As at the date of this report this has not been rectified and the suspension has not yet been lifted. At 30 June 2012 the value of the option to acquire additional shares in Powerhouse was written down to nil.

11. INTANGIBLES

	2012 $'000	2011 $'000
Coal-to-liquids technology development		
At cost	**85,053**	79,505
Accumulated amortisation (b)	**(50,644)**	(44,759)
Net book amount	**34,409**	34,746
Exploration and evaluation		
At cost	**210,349**	158,339
Accumulated amortisation	**-**	-
Impairment charge	**-**	-
Net book amount (a)	**210,349**	158.339
Software		
At cost	**3,629**	1,076
Accumulated amortisation (c)	**(968)**	(544)
Net book amount	**2,661**	532
Goodwill		
At cost	**1,292**	1,292
Impairment	**-**	-
Net book amount	**1,292**	1,292
Technology licences		
At cost	**197**	199
Impairment	**(197)**	-
Net book amount	**-**	199
Total intangible assets	**248,711**	195,108

(a) The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Costs are transferred to oil and gas assets or to other development assets once oil or coal reserves are certified and the Group commences development of the resource.

(b) Amortisation of the coal-to-liquids technology development is included within administration and corporate expenses in the statement of comprehensive income.

(c) Amortisation of intangible software costs is included within administration and corporate expenses in the statement of comprehensive income.

Movements	Coal-to-liquids technology development $'000	Exploration and evaluation $'000	Software $'000	Goodwill $'000	Technology licences $'000	Total $'000
Year ended 30 June 2012						
Cost						
Opening balance	**79,505**	**158,339**	**1,076**	**1,292**	**199**	**240,411**
Additions (at cost)	**12,609**	**34,192**	**2,553**	**-**	**-**	**49,354**
Transfer between intangible assets (a)	**(7,364)**	**7,364**	**-**	**-**	**-**	**-**
Transfer from assets classified as held for sale	**-**	**9,032**	**-**	**-**	**-**	**9,032**
Exchange rate movements	**303**	**1,422**	**-**	**-**	**(2)**	**1,723**
Closing balance	**85,503**	**210,349**	**3,629**	**1,292**	**197**	**300,520**

Movements	Coal-to-liquids technology development $'000	Exploration and evaluation $'000	Software $'000	Goodwill $'000	Technology licences $'000	Total $'000
Amortisation and impairment losses						
Opening balance	**(44,759)**	**-**	**(544)**	**-**	**-**	**(45,303)**
Amortisation	**(5,885)**	**-**	**(424)**	**-**	**-**	**(6,309)**
Impairment loss	**-**	**-**	**-**	**-**	**(197)**	**(197)**
Closing balance	**(50,644)**	**-**	**(968)**	**-**	**(197)**	**(51,809)**
Closing net book amount	**34,409**	**210,349**	**2,661**	**1,292**	**-**	**248,711**
Year ended 30 June 2011						
Cost						
Opening balance	70,026	144,245	636	1,292	-	216,199
Additions (at cost)	9,479	19,981	440	-	199	30,099
Exchange rate movements	-	(5,887)	-	-	-	(5,887)
Closing balance	79,505	158,339	1,076	1,292	199	240,411
Amortisation and impairment losses						
Opening balance	(33,915)	-	(321)	-	-	(34,236)
Amortisation	(10,844)	-	(223)	-	-	(11,067)
Impairment loss	-	-	-	-	-	-
Exchange rate movements	-	-	-	-	-	-
Closing balance	(44,759)	-	(544)	-	-	(45,303)
Closing net book amount	34,746	158,339	532	1,292	199	195,108

(a) During the year amounts capitalised in respect of the Gasifier 6 project being constructed in Wyoming were transferred to exploration and evaluation intangible asset.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to reportable business segment and region of operation:

	2012 $'000	2011 $'000
Asia		
Syngas	**1,292**	1,292
Total	**1,292**	1,292

Recoverable amount of Goodwill with an indefinite life

The recoverable amount of Goodwill is determined based on fair value less costs to sell. Fair value is determined as the amount for which the underlying asset (equity securities of JSPC Yerostigaz) could be exchanged between willing parties in an arm's length transaction.

In addition, UCG technology and know-how has become increasingly sought after by Governments and corporations around the world during recent years with trial UCG projects being undertaken or planned in South Africa, Australia, the USA, UK, Vietnam, China, India, Canada, Poland, Hungary and several other countries. As UCG becomes more accepted as an economically and environmentally viable production process for energy and petroleum products, the value of companies and their personnel with UCG technology and experience is increasing.

The investment in Yerostigaz represents a controlling stake in the only commercially operating UCG business in the world. The controlling stake provides access to a pool of UCG technical specialists and to 50 years of accumulated knowledge and UCG intellectual property of Yerostigaz. It also restricts competitors of the Group from accessing the technology, providing the Group with both a valuable competitive advantage and a valuable product in itself in terms of the ability to generate revenue through consulting and other commercial avenues which further supports a fair value in excess of the carrying value of the goodwill.

The Directors believe that the recoverable amount of Yerostigaz exceeds the carrying value of goodwill.

Intangible assets pledged as security

Intangible exploration and evaluation assets totalling $21,283,000 and representing the carrying value of the Teresa Coal Project are pledged as security against the Fortress Line of Credit Facility. Refer to note 16 for further details on the Fortress facility.

12. PROPERTY, PLANT AND EQUIPMENT

	2012 $'000	2011 $'000
Land and buildings		
At cost	**4,759**	4,754
Accumulated depreciation	**(67)**	(55)
Net book amount	**4,692**	4,699
Motor vehicles		
At cost	**2,892**	1,932
Accumulated depreciation	**(1,022)**	(656)
Net book amount	**1,870**	1,276
Office equipment and furniture		
At cost	**4,784**	2,441
Accumulated depreciation	**(1,374)**	(632)
Net book amount	**3,410**	1,809
Plant and equipment		
At cost	**11,854**	7,023
Accumulated depreciation	**(2,984)**	(2,032)
Net book amount	**8,870**	4,991
Total property, plant and equipment	**18,842**	12,775

Reconciliation of movements	Land and buildings $'000	Motor vehicles $'000	Office equipment and furniture $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2012					
Opening net book amount	**4,699**	**1,276**	**1,809**	**4,991**	**12,775**
Additions	**-**	**846**	**2,395**	**4,845**	**8,086**
Acquisitions	**-**	**106**	**147**	**-**	**253**
Disposals	**-**	**-**	**(172)**	**-**	**(172)**
Depreciation charge	**(12)**	**(365)**	**(800)**	**(885)**	**(2,062)**
Exchange rate movements	**5**	**7**	**31**	**(81)**	**(38)**
Closing net book amount	**4,692**	**1,870**	**3,410**	**8,870**	**18,842**
Year ended 30 June 2011					
Opening net book amount	4,037	958	424	3,980	9,399
Additions	702	557	1,605	1,751	4,615
Acquisitions	-	26	51	13	90
Disposals	-	(93)	(5)	-	(98)
Depreciation charge	(12)	(198)	(262)	(580)	(1,052)
Exchange rate movements	(28)	26	(4)	(173)	(179)
Closing net book amount	4,699	1,276	1,809	4,991	12,775

Refer to note 16 for information on noncurrent assets pledged as security by the Group. Assets held under finance leases have a net book value of $2,352,000 (2011: $2,731,000).

Leased assets

Plant and equipment and motor vehicles include the following amounts where the Group is a lessee under a finance lease:

	2012 $'000	2011 $'000
Plant and equipment		
At cost	**2,454**	2,748
Accumulated depreciation	**(1,141)**	(1,009)
Net book amount	**1,313**	1,739
Motor vehicles		
At cost	**1,264**	1,397
Accumulated depreciation	**(225)**	(574)
Net book amount	**1,039**	823

13. OIL AND GAS ASSETS

	2012 $'000	2011 $'000
Undeveloped assets		
At cost	**67,975**	7,768
Accumulated depreciation, depletion and impairment	**-**	-
Net book amount	**67,975**	7,768
In-development assets		
At cost	**2,973**	-
Accumulated depreciation, depletion and impairment	**-**	-
Net book amount	**2,973**	-
Producing assets		
At cost	**308,457**	17,850
Accumulated depreciation, depletion and impairment	**(10,856)**	(330)
Net book amount	**297,601**	17,520
Field infrastructure, plant and equipment		
At cost	**17,047**	-
Accumulated depreciation, depletion and impairment	**(1,015)**	-
Net book amount	**16,032**	-
Total oil and gas assets	**384,581**	25,288

Reconciliation of movements	Undeveloped $'000	In development $'000	Producing $'000	Field infrastructure, plant and equipment $'000	Total $'000
Year ended 30 June 2012					
Opening net book amount	7,768	-	17,520	-	25,288
Additions	1,137	3,974	30,850	-	35,961
Acquisitions	55,560	-	261,132	17,509	334,201
Transfers	-	(1,001)	1,001	-	-
Provision for closure costs	-	-	3,345	-	3,345
Disposals	-	-	-	-	-
Accumulated depreciation, depletion	-	-	(10,535)	(1,015)	(11,550)
Impairment	-	-	-	-	-
Exchange rate movements	3,510	-	(5,712)	(462)	(2,664)
Closing net book amount	67,975	2,973	297,601	16,032	384,581
Year ended 30 June 2011					
Opening net book amount	-	-	-	-	-
Additions	9	-	-	-	9
Acquisitions	8,250	-	16,176	-	24,426
Provision for closure costs	-	-	2,616	-	2,616
Accumulated depreciation, depletion	-	-	(330)	-	(330)
Exchange rate movements	(491)	-	(942)	-	(1,433)
Closing net book amount	7,768	-	17,520	-	25,288

The ultimate recoupment of costs carried forward for oil & gas assets is dependent on the successful development and commercial exploitation or sale of the respective areas. Undeveloped oil & gas assets represent the costs associated with the Umiat oil field. Oil & gas assets in development represent costs associated with the CO_2 enhanced oil recovery project in Wyoming. All exploration and evaluation costs carried forward in respect of tenements prospective for oil & gas are disclosed separately in note 11. These costs are transferred to oil & gas assets only once proven or probable reserves have been certified.

13. OIL AND GAS ASSETS (CONT.)

Umiat Acquisition (asset acquisition)

On 8 July 2011, Linc Energy acquired a 100% interest in Linc Alaska resources, LLC (formerly Renaissance Alaska, LLC) which holds an 84.5% membership and voting interest in Renaissance Umiat. Total consideration for the acquisition was $52,529,000 (USD$56,416,000) of which $44,660,000 net of cash acquired (USD$47,965,000) was paid during the current period to complete the acquisition (following working capital adjustments at closing). Renaissance Umiat holds 19,358 undeveloped acres leased in the Umiat Oil Field, which is located in the National Petroleum Reserve, Alaska. Renaissance Umiat owns a 100% working interest and 80% net revenue interest in the Umiat lease position.

The acquisition was treated as an asset acquisition as the acquired entities did not meet the definition of a business as described by the relevant accounting standard (AASB 3 *Business Combinations*). Linc Energy recorded the fair value of the 15.5% non-controlling interest in Renaissance Umiat on the date of close of $9,038,000 (USD$9,707,000).

There are no known contingent assets or liabilities and no further contingent consideration is payable to the seller. The Group does not expect any material changes to the amounts disclosed in the table below.

Umiat acquisition Assets acquired	Carrying amount $'000s	Fair value adjustments $'000s	Fair value $'000s
Cash	4,383	-	4,383
Accounts receivable (net of allowance)	261	-	261
Unproved oil and gas properties	55,560	-	55,560
Equipment inventory	954	-	954
Property, plant, and equipment	31	-	31
Bonds	498	-	498
Other assets	41		41
Liabilities (accounts payable)	(161)	-	(161)
Net identifiable assets	61,567		61,567
Purchase consideration paid in cash			(52,529)
Non-controlling interest			(9,038)

14. AVAILABLE-FOR-SALE INVESTMENTS

	2012 $'000	2011 $'000
Listed securities		
Equity securities	**13,652**	23,128
	13,652	23,128

The carrying amount of listed securities is equal to their fair value. The fair value of listed securities has been calculated using prices quoted on the Australian Securities Exchange and AIM London Stock Exchange at balance date or the last trading date during the period. None of the available-for-sale financial assets are either past due or impaired. The Group's exposure to risk is discussed in note 25.

15. TRADE AND OTHER PAYABLES

	2012 $'000	2011 $'000
Current		
Trade payables	**34,795**	13,278
Accrued employee related costs	**121**	312
Accrued taxes	**2,035**	-
Other payables	**1,900**	1,337
	38,851	14,927
Non-Current		
Other payables	**1,174**	-
	1,174	-

16. BORROWINGS

	2012 $'000	2011 $'000
Current		
Secured		
Line of credit facility (refer to note A below)	**58,299**	-
Reserve based lending facility (refer to note B below)	**126,025**	-
Bank loan	**-**	1,800
Finance lease liabilities	**1,354**	986
Total current borrowings	**185,678**	2,786
Non-current		
Secured		
Finance lease liabilities	**445**	1,196
Total secured non-current borrowings	**445**	1,196
Unsecured		
Equipment funding loan	**699**	670
Total unsecured non-current borrowings	**699**	670
Total non-current borrowings	**1,144**	1,866
Total borrowings	**186,822**	4,652

The line of credit facility is secured against the contingent Adani Carmichael Coal production royalty asset and the Teresa coal tenement. The reserve based lending facility is secured against the Group's oil & gas assets in Wyoming and the Gulf Coast. The fair values of current and non-current borrowings approximate their carrying amounts. Lease liabilities are finance leases for the purchase of plant, equipment and motor vehicles. The Group's exposure to interest rate risk is discussed in note 25.

Terms and conditions

Terms and conditions of outstanding liabilities were as follows:

In thousands of dollars	Currency	Interest rate at 30 June	Year of maturity	Face value 2012	Carrying amount 2012	Face value 2011	Carrying amount 2011
Reserve based lending facility	**USD**	**3.75%**	**2016**	**126,025**	**126,025**	-	-
Line of credit facility	**AUD**	**10.64%**	**2013**	**58,299**	**58,299**	-	-
Secured finance lease liabilities	**AUD**	**8.91%**	**2012**	**1,205**	**1,129**	2,265	2,050
Secured finance lease liabilities	**USD**	**6.92%**	**2013-2015**	**733**	**670**	151	132
Secured bank loan	**AUD**	**6.40%**	**2012**	**-**	**-**	1,800	1,800
Equipment funding loan	**USD**	**12.00%**	**2016**	**811**	**699**	811	670
Total interest bearing liabilities				**187,073**	**186,822**	5,027	4,652

(A) Line of credit facility

On 31 January 2012, the Group announced that it had entered into a $120,000,000 line of credit facility agreement with an affiliate of Fortress Investment Group, LLC. The facility can be drawn at any time and is available for a period of 12 months. Amounts drawn under the facility are secured by certain assets of the Group (specifically the contingent Adani Carmichael coal royalty asset and the Teresa coal project), but the terms of the agreement allow the Group to deal with those assets and to repay any amount drawn down at any time during the period.

An establishment fee of $3,000,000 was paid in cash and is recognised as an offset against the outstanding liability in the statement of financial position. The establishment fee is then amortised over the period of the term of the facility on an effective interest basis.

Interest is calculated monthly on the drawn amount at a rate of approximately 7% over the one month BBSY rate (currently 3.64%) and is payable in arrears. A line fee of 2% per annum is also payable on any undrawn amount of the facility and is calculated monthly in arrears.

$60,000,000 was drawn down during the reporting period. At 30 June 2012 $60,000,000 remains available for draw down.

	2012 $000's	2011 $000's
Proceeds from draw downs	**60,000**	-
Establishment fee	**(3,000)**	-
Amortisation of establishment fee	**1,299**	-
Carrying amount at 30 June	**58,299**	-

16. BORROWINGS (CONT.)

(B) Reserve based lending facility

To partially finance the ERG Resources, LLC acquisition and to provide working capital to develop the assets, Linc Gulf Coast Petroleum, Inc. entered into a USD$300,000,000 non-recourse credit agreement with BNP Paribas. This facility is now administrated by Wells Fargo following its purchase from BNP Paribas. The credit facility provides for a maximum borrowing of up to USD$300,000,000, with an initial borrowing base of USD$130,000,000. The credit facility has a five year term and the borrowing base will be re-determined semi-annually. The determination of the borrowing base is made by the lenders, taking into consideration the estimated value of Linc Energy's Gulf Coast oil and gas properties incorporating the level of production and proved reserves. The facility is secured by Linc Gulf Coast Petroleum, Inc. assets which include the Wyoming, Texas and Louisiana oil & gas assets.

Borrowings under the credit facility currently bear interest at approximately 3.75%, with the rate dependant on a number of factors including borrowing base utilisation. The credit facility includes terms and covenants customary of a Reserve Based Lending facility. At 30 June 2012 the Group was in breach of one of the financial covenants in respect of the current ratio of the sub-group of entities that comprise the Group's producing US oil & gas assets. Under the terms of the facility agreement, the lenders have the right to declare the outstanding balance of the facility immediately due and payable. However, subsequent to the reporting date the Group received a waiver in respect of the breach and the breach condition has been remedied. The Group is in compliance with all other covenant requirements.

Although the breach has been rectified and a waiver received from the lender, Australian Accounting Standards mandate that the loan be classified as a current liability at the reporting date as the Group did not have an unconditional right to defer repayment of the liability at that date for a period of 12 months.

Debt issuance costs are offset against the borrowing on the statement of financial position and amortised over the period of the borrowings on an effective interest basis.

Financing arrangements

The Group had access to the following undrawn finance facilities at the reporting date:

	Facility limit	Expiry date	Undrawn amounts	
			2012	2011
Secured	$'000		$'000	$'000
Line of credit facility (a)	**120,000**	Jan 2013	**60,000**	-
Letter of credit / bank guarantee facility (b)	**2,691**	Annual review	**-**	-
Reserve based lending facility (c)	**USD300,000**	2016	**-**	-
			60,000	-

(a) The line of credit facility can be drawn at any time or terminated by the lender without notice. Subsequent to year end the Group announced that it had reached agreement with Fortress Investments LLC to extend the term of the loan by three years.

(b) The letter of credit / bank guarantee facility may be drawn at any time and is subject to annual review.

(c) The reserve based lending facility has a total facility limit of USD$300,000,000. However, the amount available for draw down (referred to as the "borrowing base") is calculated based on the level of production and 1P reserves from the Group's Gulf Coast oil assets, oil prices and other factors. As at 30 June 2012 the borrowing base was A$127,965,000 (USD$130,000,000) which was fully drawn.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	Future minimum lease payments 2012 $'000	Interest 2012 $'000	Present Value of minimum lease payments 2012 $'000	Future minimum lease payments 2011 $'000	Interest 2011 $'000	Present Value of minimum lease payments 2011 $'000
Less than one year	**1,457**	**102**	**1,354**	1,139	153	986
Between one and five years	**481**	**36**	**445**	1,277	81	1,196
	1,938	**138**	**1,799**	2,416	234	2,182

Bank Guarantees

The parent entity has provided bank guarantees in respect of mineral development licences of $2,165,285 (2011: $2,165,285), the leasing of premises for $367,063 (2011: $407,131), leasing of plant and equipment and motor vehicles for $175,000 (2011: $175,000) and $430,350 (2011: $819,342) for the funding of the Wiggins Island Coal Export Terminal pre-feasibility study.

17. PROVISIONS

	2012 $'000	2011 $'000
Current		
Exploration drilling rehabilitation - Australia	**100**	155
Oil and gas rehabilitation – USA	**1,298**	809
Employee entitlements	**2,304**	1,930
	3,702	2,894
Non-current		
Decommissioning and site restoration – Chinchilla demonstration facility	**3,200**	3,612
Oil and gas rehabilitation - USA	**20,426**	1,808
Employee entitlements	**394**	227
	24,020	5,647

Exploration drilling rehabilitation

The current site rehabilitation provision relates to rehabilitation work at the Group's exploration drilling sites in the Eromanga Basin in North Queensland during the year.

Decommissioning and site restoration

The non-current site restoration provision allows for the decommissioning and restoration of the Group's coal-to-liquids technology development facility at Chinchilla on cessation of all activity at that site.

Oil and gas rehabilitation

The provision relates to the cost of rehabilitating and decommissioning oil field assets and infrastructure such as wells, pipelines and processing facilities.

Employee entitlements

The current employee entitlements provision relates to accrued wages at 30 June 2012 and accrued annual leave and sick leave entitlements. The non-current provision relates to long service leave entitlements.

Movements	2012 $'000	2011 $'000
Site rehabilitation – drilling activities		
Carrying amount at the start of the period	**155**	585
Provision utilised during the period	**(15)**	(572)
Provisions recognised during the period	**100**	142
Provision no longer required	**(141)**	-
Effect of exchange rate movements	**1**	-
Carrying amount at the end of the period	**100**	155
Decommissioning and site restoration – non current		
Carrying amount at the start of the period	**3,612**	1,826
Provisions utilised during the period	**(412)**	-
Provisions recognised during the period	**-**	1,786
Provisions no longer required	**-**	-
Carrying amount at the end of the period	**3,200**	3,612
Oil and gas rehabilitation		
Carrying amount at the start of the period	**2,617**	-
Provisions recognised during the period	**19,077**	2,617
Provision utilised during the period	**(81)**	-
Effect of exchange rate movements	**111**	-
Carrying amount at the end of the period	**21,724**	2,617
Employee entitlements		
Carrying amount at the start of the period	**2,157**	1,229
Provisions recognised during the period	**532**	928
Effect of exchange rate movements	**9**	-
Carrying amount at the end of the period	**2,698**	2,157

18. OTHER FINANCIAL LIABILITIES

Movements	2012 $'000	2011 $'000
Current		
Commodity swap contracts (oil hedges)	**221**	-
Non-current		
Commodity swap contracts (oil hedges)	162	-
Total other financial liabilities	**383**	-

19. SHARE CAPITAL

	2012 Number	2011 Number	2012 $'000	2011 $'000
Share capital				
Ordinary shares – fully paid	**509,952,685**	506,809,790	**310,606**	309,493
Movements:				
Ordinary shares				
Opening Balance	**506,809,613**	489,674,970	**309,493**	287,388
Shares issued on exercise of options (a)	**3,923,167**	10,679,337	**3,635**	14,950
Shares issued on vesting of performance rights (b)	**6,304,905**	1,997,044	**9,571**	2,574
Shares issued as compensation for drilling activities (c)	-	30,000	-	81
Shares issued in repayment of convertible equity tranches (d)	-	4,428,262	-	4,500
Cancellation of shares from share buy-back	**(7,085,000)**	-	**(12,093)**	-
Closing Balance	**509,952,685**	506,809,613	**310,606**	309,493

(A) Information relating to the Linc Energy Ltd Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 30.

(B) Information relating to the Linc Energy Ltd Performance Rights Plan, including details of rights granted, vested and lapsed during the financial year and rights outstanding at the end of the financial year, is set out in note 30.

(C) In 2011, the Group issued shares to landowners as compensation for drilling activities.

(D) The Group entered into a convertible equity facility during the 2010 year. Under the facility, tranches were drawn down and repaid in shares 31 days later based on the average of the five lowest daily VWAP's during the tranche period. The final tranche was repaid on the 27 July 2010 via the issue of 4,428,262 shares. The facility was terminated in October 2010 with no tranche outstanding.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and then proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The Company does not have authorised capital and ordinary shares have no par value.

Capital risk management

The Group's objectives when managing its ordinary share capital are to ensure its ability to continue as a going concern and to maintain an optimal capital structure and cost of capital appropriate to the stage of development of the Group's business. The Group is currently seeking to raise additional debt finance and to dispose of part or all of its interests in certain non-core assets to provide for its future funding requirements.

There are no externally imposed capital requirements on Linc Energy Ltd, however the Company's subsidiary located in Uzbekistan, JSPC Yerostigaz is intermittently subject to government mandated recapitalisation programs for foreign controlled companies. Linc Energy fully participates in these recapitalisations to ensure it maintains or increases its ownership interest in the company. There were no recapitalisations this reporting period (2011: $Nil).

Shares issued on exercise of options

3,923,167 shares were issued during the year as a result of the exercise of options (2011: 10,679,337). The total cash received by the Group from the exercise of options was $2,133,058 (2011: $7,555,145). Since the end of the financial year no shares have been issued as a result of the exercise of options.

Shares issued on vesting of performance rights

6,304,905 shares were issued during the year as a result of vested performance rights (2011: 1,997,044). No consideration was received. Since the end of the financial year 1,495,966 shares have been issued as a result of the vesting of performance rights.

Share buy-back

On 12 September 2011, Linc Energy Ltd announced its intention to conduct an on-market buy-back of up to five per cent of the Company's fully paid ordinary shares as part of its capital management strategy. The buy-back commenced on 26 September 2011 and ceased on 26 September 2012. 7,085,000 shares were bought back and cancelled during the financial year for a total consideration of $12,093,000. No further shares were bought back subsequent to the reporting date.

20. RESERVES

	2012 $'000	2011 $'000
Share-based payments reserve	**28,516**	28,868
Other reserves	**5,309**	5,309
Available-for-sale reserve	**(2,169)**	5,726
Foreign currency translation reserve	**(119)**	474
	31,537	40,377
Movements:		
Share-based payments reserve		
Balance at start of the period	**28,868**	23,655
Option and rights expense	**10,721**	15,232
Options exercised	**(1,502)**	(7,445)
Rights vested	**(9,571)**	(2,574)
Balance at the end of the period	**28,516**	28,868
Other reserves		
Balance at start of the period	**5,309**	5,309
Balance at the end of the period	**5,309**	5,309
Available-for-sale reserve		
Balance as start of the period	**5,726**	-
Revaluations during the year	**(11,279)**	8,180
Deferred tax recognised in equity	**3,384**	(2,454)
Balance at the end of the period	**(2,169)**	5,726
Foreign currency translation reserve		
Balance at start of the period	**474**	(102)
Currency translation differences arising during the year	**(593)**	576
Acquired from non-controlling interest	**-**	-
Balance at the end of the period	**(119)**	474

Nature and purpose of reserves

Share-based payments reserve

The share-based payment reserve is used to recognise the fair value of options granted to employees and suppliers. It also recognises the fair value of performance rights issued to employees but not yet vested.

Other reserves

The other reserve represents amounts recognised directly in equity in respect of transactions with other shareholders in Group companies. In 2010, Linc Energy Ltd increased its interest in subsidiary JSPC Yerostigaz from 73% to 91.6% through the purchase of new shares with a total cost of $521,601. The transactions with other shareholders amount in the other reserve balance represents the relative transfer of value to / from the non-controlling interest as a result of the transaction.

The other reserve account also contains the remaining balance transferred from the convertible note reserve following the termination of the convertible note facility and the redemption of all outstanding notes. This amount will remain in other reserves indefinitely.

Available-for-sale reserve

The available-for-sale reserve represents changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets. The amounts will only be recognised in profit and loss when the associated assets are sold or impaired.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(x). The reserve is recognised in profit and loss when the net investment is disposed of.

21. DIVIDENDS

No dividends were declared or paid in the reporting period. (2011: Special dividend of 10.0 cents per share, fully franked, total of $49,642,674).

22. RETAINED EARNINGS

Movements in retained earnings were as follows:

	2012 $'000	2011 $'000
Balance at start of the period	**163,794**	(83,018)
Dividends paid	**-**	(49,643)
Net profit / (loss) for the period	**(61,891)**	296,455
Balance at the end of the period	**101,903**	163,794

23. EARNINGS PER SHARE

	2012 Cents	2011 Cents
Basic earnings per share		
Profit (loss) attributable to the ordinary equity holders of the Company	**(12.18)**	59.27
Diluted earnings per share		
Profit (loss) attributable to the ordinary equity holders of the Company	**(12.18)**	57.71

	Number	Number
Weighted average number of ordinary shares		
Issued shares at 1 July	**506,809,613**	489,674,970
Effect of shares issued during the period	**1,333,519**	10,529,277
Weighted average number of ordinary shares at 30 June	**508,143,132**	500,204,247
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 June	**508,143,132**	500,204,247
Effect of conversion of share options on issue	**-**	6,127,776
Effect of conversion of share rights on issue	**-**	7,385,508
Weighted average number of ordinary shares at 30 June	**508,143,132**	513,718,531

	2012 $'000	2011 $'000
Profit/(loss) from continuing operations attributable to ordinary shareholders (basic)	**(61,891)**	296,455
Profit/(loss) from continuing operations attributable to ordinary shareholders (diluted)	**(61,891)**	296,455

Impact of transactions subsequent to year end.

Subsequent to the end of the financial year, the Company issued 1,495,966 shares from the vesting of performance rights. The Company also granted a further 1,782,079 rights under the Performance Rights Plan to new and existing employees of the Group. These ordinary share transactions and potential ordinary share transactions would have changed the number of ordinary shares and potential ordinary shares outstanding at the end of the financial year if those transactions had occurred before the end of the reporting period.

24. COMMITMENTS AND OPERATING LEASES

Capital expenditure

Capital commitments of $5,728,000 (2011: $15,403,000) relate to contractual expenditure for exploration and evaluation committed but not yet incurred. The Group has certain obligations to conduct exploration activities in its coal and petroleum tenements (see below).

Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel that are not recognised as liabilities and are not included in the key management personnel compensation as set out in the Remuneration report included on pages 52 to 64 of the Director's report.

Operating lease commitments as lessee

Lease commitments contracted but not recognised as liabilities are for non-cancellable operating leases of office premises and office equipment. All finance leases have been recognised in both Current and Non-Current Liabilities. Refer to note 16 for further details.

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities payable:

	2012 $'000	2011 $'000
Within one year	**1,977**	1,918
Later than one year but not later than five years	**3,117**	4,504
Later than five years	**746**	-
	5,840	6,422

The Group leases a number of office premises under operating leases. Leases typically run for between two and six years with an option to renew for a similar term. The leases generally provide for additional rental payments that are based on CPI or market reviews with minimum escalation rates.

Tenement commitments

Tenement commitments relate to the rental and expenditure components of the agreements.

	2012 $'000	2011 $'000
Within one year	**4,853**	4,492
Later than one year but not later than five years	**25,505**	10,189
Later than five years	**592**	296
	30,950	14,977

Tenement commitments are not contractual obligations and may be subject to negotiation, deferment or modification. Failure to meet tenement activity or spending commitments within permitted timeframes may result in the relinquishment of parts of, or all of, a tenement.

25. FINANCIAL INSTRUMENTS

Overview

Overall responsibility for financial risk management rests with the Audit and Risk Management Committee of the Board of Directors. This committee has responsibility for ensuring the effectiveness of the organisation's financial risk management system, including the approval of associated policies. The Finance group is responsible for the development of policy and the implementation of practices and processes for the management of financial risk.

Credit risk

Credit risk arises mainly from cash and cash equivalents and deposits with banks and financial institutions. This risk is managed by depositing funds with credible and independently rated institutions with a minimum S&P credit rating of AA and maximum thresholds for the proportion of investable funds to be held with any one institution. None of the trade and other receivables or other financial assets are deemed to be impaired.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
		2012	2011
in thousands of dollars	Note	$'000	$'000
Cash and cash equivalents	6	**25,680**	310,343
Trade and other receivables	7	**32,839**	8,510
Other financial assets	10	**-**	15,814
		58,519	334,667

The maximum exposure to credit risk for cash and cash equivalents at the reporting date held by geographic region was:

		Carrying amount	
		2012	2011
in thousands of dollars	Note	$'000	$'000
Australian		**18,956**	199,815
USA		**6,583**	110,236
Europe		**91**	271
Asia		**50**	21
Total cash and cash equivalents		**25,680**	310,343

There are no known significant past due or impaired assets as at 30 June 2012 (2011: Nil).

Market risk

Foreign currency risk

Foreign currency risk is associated with international procurement and operational activities. This risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The establishment and settlement of foreign exchange transactions require senior finance management approval to minimise exposures to currency fluctuations.

At 30 June 2012 the Group held a material amount of cash and cash equivalents. The distribution of this cash, by currency, is set out in the table below:

		Carrying amount	
		2012	2011
in thousands of dollars	Note	$'000	$'000
Australian Dollar		**18,956**	199,743
US Dollar		**6,583**	110,310
Pounds Sterling		**84**	271
Uzbekistan Soms		**50**	19
Polish Zloty		**7**	-
Total cash and cash equivalents		**25,680**	310,343

Trade receivables relating to US oil sales totalling $13,630,000 (2011: $370,000) are denominated in US Dollars. Minimal exposures exist in relation to other receivables and other financial assets. $11,669,000 (2011: $21,000,000) of the available-for-sale assets represent investments in companies listed on the London Stock Exchange AIM which are denominated in Pounds Sterling.

Equity price risk

The Group is exposed to equity securities price risk. This arises from the investments in listed companies held by the Group and classified on the statement of financial position as available-for-sale assets. To manage its price risk arising from investments in equity securities, the Group only invests in equity securities approved by the Board of Directors and where the investment provides a strategic advantage to the Group.

At 30 June 2012 the Group held equity securities in a number of listed companies. Changes in the value of these securities are recognised in the available-for-sale reserve in equity. A 5% increase/(decrease) in the value of the investments would have the effect of increasing/(reducing) the available-for-sale reserve in equity by $477,800.

25. FINANCIAL INSTRUMENTS (CONT.)

Commodity price risk

The Group periodically enters into derivative instruments such as swap agreements in an attempt to moderate the effects of fluctuations in commodity prices on the Group's cash flow and to manage exposure to commodity price risk as required under the terms of the Group's Reserve-based Lending Facility. The Group's commodity derivative instruments generally serve as effective economic hedges of commodity price exposure; however, the Group has elected not to designate its derivatives as hedging instruments. As such, the Group recognises all changes in fair values of its derivative instruments as unrealised gains or losses in profit and loss.

Swaps	Oil (NYMEX WTI)	
	Barrels	Weighted Average Hedged price per barrel (USD)
Financial year 2013	426,588	86.49
Financial year 2014	326,724	86.96
Financial year 2015	265,734	87.28
Financial year 2016	120,492	87.55

The Group did not have any derivative instruments at 30 June 2011.

The table below summarises the location and fair value amounts of the Group's derivative instruments reported as liabilities in the consolidated statement of financial position.

United States	2012 $'000	2011 $'000
Current		
Other financial liability	221	-
Non-current		
Other financial liability	162	-
Total	383	-

The Group recognised realised losses of $3,634,000 (USD$3,751,000) and unrealised losses of $377,000 (USD$389,000) in profit and loss.

Interest rate risk

Interest rate risk occurs with respect to cash and deposits and borrowings to the extent they are subject to movements in floating interest rates. Cash is usually placed on deposit at fixed interest rates for periods of between 30 and 180 days. At 30 June 2012 the cash held by the Group was held at floating interest rates.

At 30 June 2012, a change in interest rates would have increased/(decreased) financial assets and liabilities and profit and loss by the amounts shown below, assuming all other variables remain constant:

	Profit or loss	
All amounts in thousands	100bp Increase	100bp Decrease
2012		
Financial assets	**199**	**(199)**
Financial liabilities	**(1,843)**	**1,843**
Net cash flow sensitivity	**(1,644)**	**1,644**
2011		
Financial assets	3,103	(3,103)
Financial liabilities	(18)	18
Net cash flow sensitivity	(3,085)	3,085

Movement of 100 basis points would have no impact on equity at 30 June 2012 or 30 June 2011.

Interest rate risk exposure

The following table sets out the Group's exposure to interest rate risk and the effective weighted average interest rates at the end of the reporting period:

	Weighted average effective interest rate percent	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
2012					
Financial Assets					
Cash and cash equivalents	2.93%	18,944	-	6,736	25,680
Trade and other receivables	0.75%	919	9,634	22,286	32,839
	1.71%	**19,863**	**9,634**	**29,022**	**58,519**
Financial Liabilities					
Trade and other payables	-	-	-	40,025	40,025
Lease liabilities	8.17%	-	1,799	-	1,799
Unsecured equipment funding loan	12.00%	-	699	-	699
Reserve based lending facility	3.75%	126,025	-	-	126,025
Line of credit facility	10.64%	58,299	-	-	58,299
	4.92%	**184,324**	**2,498**	**40,025**	**226,847**
2011					
Financial Assets					
Cash and cash equivalents	3.32%	310,343	-	-	310,343
Trade and other receivables	2.53%	-	4,019	4,491	8,510
	3.41%	**310,343**	**4,019**	**4,491**	**318,853**
Financial Liabilities					
Trade and other payables	-	-	-	14,927	14,927
Lease liabilities	8.97%	-	2,182	-	2,182
Unsecured equipment funding loan	12.00%	-	670	-	670
Bank loan	6.40%	1,800	-	-	1,800
	1.98%	**1,800**	**2,852**	**14,927**	**19,579**

Liquidity risk

Liquidity risk exists with respect to the ability of the organisation to meet obligations associated with its financial liabilities that are settled by cash. Treasury management including regular monitoring of cash and expenditure levels is undertaken to minimise funding issues.

Maturities of financial liabilities

The tables below analyse the contractual maturities of the Group's financial liabilities (including estimated interest payments) at the reporting date.

	Carrying amount $'000	Contractual cash flows $'000	< 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	> 3 years $'000
2012						
Trade and other payables	40,025	40,025	38,852	86	97	990
Lease liabilities	1,799	1,938	1,457	481	-	-
Unsecured equipment funding loan	699	860	172	172	172	344
Reserve based lending facility [1]	126,025	143,650	4,799	4,799	4,799	129,253
Line of credit facility	58,299	64,301	64,301	-	-	-
Other financial liabilities	383	383	221	162	-	-
	227,230	**251,157**	**109,802**	**5,700**	**5,068**	**130,587**
2011						
Trade and other payables	14,927	14,927	14,927	-	-	-
Lease liabilities	2,182	2,416	1,139	1,277	-	-
Unsecured equipment funding loan	670	811	122	162	162	365
Secured bank loan	1,800	1,810	1,810	-	-	-
	19,579	**19,964**	**17,998**	**1,439**	**162**	**365**

[1] At 30 June 2012 as a result of the technical breach of a debt covenant the Reserve based lending facility was reclassified as a current liability – refer note 16 **Borrowings** for further detail. Had the Group not received a waiver and the lender had declared the debt due and payable immediately then the contractual cash flows would have been limited to the principal amount of $127,965,000 (USD$130,000,000). Interest of $15,685,000 payable over the term of the loan would not be incurred.

25. FINANCIAL INSTRUMENTS (CONT.)

Fair Value Hierarchy

The fair value of financial assets and liabilities approximate their carrying values. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset of liability that are not based on observable market data (unobservable inputs).

In thousands of dollars	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
2012				
Available-for-sale investments	9,231	4,421	-	13,652
Other financial liabilities	-	(383)	-	(383)
	9,231	**4,038**	**-**	**13,269**
2011				
Available-for-sale investments	23,128	-	-	23,128
	23,128	**-**	**-**	**23,128**

26. OPERATING SEGMENTS

Reportable segments

The Group's operating segments were restructured in 2012 to provide better strategic focus going forward. This restructure has resulted in four reportable segments, each being led by a divisional president. The reportable segments are:

- Oil & Gas – exploration, development and production of traditional oil and gas assets in North America.
- Coal – acquisition, exploration and development of the Group's significant coal resources.
- Clean Energy – development and commercialisation of Coal-to-Liquids (CTL) processes through the combined utilisation of Underground Coal Gasification (UCG) and Gas to Liquids (GTL) technologies.
- SAPEX – exploration of the Group's petroleum exploration tenements in South Australia.

The divisional presidents are accountable for their division's financial performance and maintain regular contact with the chief operating decision maker (CODM). The Group's Chief Executive Officer who is the chief operating decision maker reviews internally generated management reports on at least a monthly basis.

Comparative data has been restated to reflect these changes in operating segments.

Information regarding the results of each reportable segment is included in the table on the following page.

	Oil & Gas		Coal		Clean Energy		SAPEX		Corporate/unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
External revenues	**55,098**	1,785	**-**	-	**1,962**	1,414	**-**	-	**-**	-	**57,060**	3,199
Interest revenue	**-**	-	**-**	-	**-**	-	**-**	-	**3,578**	20,208	**3,578**	20,208
Interest expense	**3,387**	-	**-**	-	**-**	-	**-**	-	**3,833**	386	**7,220**	386
Depreciation, amortisation & depletion	**11,777**	356	**-**		**7,051**	11,515	**9**	12	**1,631**	579	**20,468**	12,450
Reportable segment profit / (loss) before income tax	**7,186**	3,878	**-**	495,001	**(24,447)**	(26,774)	**(3)**	(7)	**(72,436)**	(39,800)	**(89,697)**	432,305
Material items of income or expense:												
Gain on disposal of coal tenement	**-**	-	**-**	495,001	**-**	-	**-**	-	**-**	-	**-**	495,001
Material non-cash items of income or expense:												
Bargain purchase gain on acquisition of oil & gas assets	**-**	6,027	**-**	-	**-**	-	**-**	-	**-**	-	**-**	6,027
Share-based payment expense	**-**	-	**-**	-	**-**	-	**-**	-	**10,721**	15,232	**10,721**	15,232
Reportable segment non-current assets	**393,737**	26,170	**26,934**	3,755	**92,354**	75,344	**135,290**	121,927	**33,299**	34,979	**681,614**	262,174
Total reportable segment assets	**413,588**	50,812	**26,934**	12,787	**97,753**	76,324	**135,290**	121,927	**54,214**	339,104	**727,779**	600,953
Goodwill	**-**	-	**-**	-	**1,292**	1,292	**-**	-	**-**	-	**1,292**	1,292
Capital expenditure (includes business combinations and oil and gas acquisitions)	**375,304**	26,035	**14,147**	1,338	**23,702**	14,189	**13,372**	10,834	**5,943**	6,843	**432,468**	59,239

Geographical Segments

The worldwide operations of the Group are managed from the Brisbane head office, but the group's operations are located in four principal locations: Australia, North America, Europe and Asia. In Australia, the Group operates in Queensland and South Australia. In Asia, the operations of the Group are at Yerostigaz in Angren, Uzbekistan. In North America the Group operates in Colorado, Wyoming, Montana, Texas, Louisiana and Alaska. In Europe the Group operates from a regional base in London, with subsidiaries established in Poland and Hungary.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	2012		2011	
	Revenues	Non-Current Assets	Revenues	Non-Current Assets
	$'000	$'000	$'000	$'000
Australia	**-**	**226,952**	-	191,328
USA	**55,098**	**450,975**	1,785	68,135
Asia	**1,962**	**2,364**	1,414	2,350
Europe	**-**	**1,323**	-	360
	57,060	**681,614**	**3,199**	**262,174**

In the USA, all oil produced from the Glenrock fields in Wyoming is currently delivered to and sold to a third party refiner. On the Gulf Coast (Texas and Louisiana) oil is sold to two third party refineries. In Asia, all syngas produced at Yerostigaz is currently sold to the Angren power station which is a State-owned utility company.

27. CONTINGENT ASSETS AND LIABILITIES

Contingent assets

Adani Royalty

On 3 August 2010, Linc Energy announced that it had entered into a contract with Adani Mining Pty Ltd ("Adani"), a subsidiary of Adani Enterprises of India, to sell the non-core Galilee coal exploration tenement for $500,000,000. As part of this transaction Linc are also entitled to receive $2.00 per tonne, indexed to inflation from the date of sale, for the first 20 years of production from the tenement.

As the receipt of income from the royalty is dependent on future production from a mine in the tenement, it currently does not meet the criteria for recognition as an asset in the financial statements. Given the inherent uncertainty in estimating the ultimate quantum and timing of production from a mine in the tenement, it is not practicable to quantify the present value of the contingent asset.

Contingent liabilities

Adani Royalty

The Group has a contingent liability in respect of potential income tax payable on the market value at 3 August 2010 of the right to the royalty receivable from Adani from future coal production from the Galilee tenement. Linc Energy does not believe that the contingent royalty income is currently assessable. However, due to uncertainty over the treatment of this amount under Australian tax law, the Company has requested a private binding ruling (PBR) from the Australian Taxation Office (ATO) in respect of this transaction given its potentially material value.

No formal response to the PBR has been issued from the ATO as yet and Linc Energy are considering the merits of additional submissions in relation to the PBR request as well as Linc Energy's objection and appeal rights should the ATO issue an unfavourable ruling.

Should the ATO ruling be unfavourable to Linc Energy and Linc Energy does not object to or appeal the decision, the potential additional tax payable in respect of the 2011 financial year would be based on the market value of the royalty as at 3 August 2010. The market value of the royalty takes into account the significant risks and challenges associated with the development of a greenfields mining and infrastructure project of the scale proposed by Adani in the Galilee Basin. Linc Energy is currently working with external consultants to calculate the market value of the royalty.

In the Director's opinion, disclosure of any further information would be prejudicial to the interest of the Group.

Acquisition of Powder River Basin coal leases from Gastech Inc

On 24 December 2009 the Group announced that it had acquired an additional 81,268 acres of Powder River Basin (Wyoming) and Williston Basin (Montana) coal lease tenements from Gastech Inc and Wold Oil Properties Inc respectively. Gastech Inc retains a royalty interest in an amount equal to one quarter of the coal production royalties payable to the State of Wyoming under the Wyoming leases, but not greater than 2%. Wold Oil Properties Inc retains a royalty interest of 2% of the market value of the coal mined and sold from the Montana leases.

Acquisition of Alaskan oil and gas leases from GeoPetro Alaska LLC

On 2 March 2010 the Group acquired 123,000 acres of oil & gas leases in the Cook Inlet Basin in Alaska from GeoPetro Alaska LLC. An additional $3,937,000 (USD$4,000,000) will be payable from the proceeds of any successful production from the acquired leases. Following payment GeoPetro will also be entitled to an overriding royalty of between 7-10% of the value of commercial production from the leases.

Legal claims and other assets or liabilities

As at balance date there was one legal claim pending against the Group in relation to the assets acquired from ERG Resources LLC ("ERG"). ERG alleges certain breaches of the acquisition agreement. Linc Energy has filed a counterclaim. Linc Energy considers that the legal claim will not result in a material liability to the company.

The directors are not aware of any other contingent assets or liabilities. As at 30 June 2012, the maximum amount quantifiable in relation to litigation and associated legal fees that had not already been provided or accrued for in the financial statements was $Nil (2011: $Nil).

28. BUSINESS COMBINATIONS

On 11 October 2011, Linc Gulf Coast Petroleum, Inc. a wholly owned subsidiary of Linc Energy USA, acquired 13 oil & gas fields in Texas and Louisiana along with related assets and certain employees from ERG Resources LLC, securing immediate oil production. The effective date of the purchase was 1 October 2011.

Total consideration for the acquisition was $264,230,000 (USD$261,350,000) of which $254,697,000 (USD$251,920,000) was paid during the current period to complete the acquisition. The fair value of the proved oil & gas properties was based on comparable Gulf Coast transactions and a risk adjusted third party reserve report prepared by Haas Petroleum Engineering Services, Inc. The fair value of the related oil & gas assets such as compression, transportation and processing facilities was based on a third party valuation analysis prepared by WCG Consulting, LLC.

The Group has accrued $217,954 (USD$221,419) for potential claims associated with unpaid vendors who performed services prior to the acquisition date on behalf of ERG Resources, LLC. While the Group has been indemnified against all such claims and judgments by the seller, it may be required to settle future claims for continued operational purposes. Also, in accordance with the purchase and sale agreement, Linc Gulf Coast Petroleum, Inc. is required to reimburse ERG Resources, LLC for costs related to the Higgins #18 well which was drilled and completed by ERG Resources, LLC prior to the close date on behalf of Linc Gulf Coast Petroleum, Inc. A final settlement statement is to be delivered to the Group 90 days subsequent to the close date. The Group accrued $1,445,383 (USD$1,468,365) for the expected costs at 30 June 2012.

There are no other known contingent assets or liabilities and no further contingent consideration is payable to the seller. Note that under the relevant accounting standard (AASB 3 *Business Combinations*), the acquisition fair values are deemed to be provisional and may be adjusted for up to one year following the date of acquisition should there be any changes in the identified assets and liabilities or their fair values. This may occur for example in relation to confirmation with relevant authorities of title over certain petroleum leases and Linc 's associated net revenue interest. The Group does not expect any material changes to the amounts disclosed below.

Assets acquired	Carrying amount $'000s	Fair value adjustments $'000s	Fair value $'000
Property, plant and equipment	222	-	222
Oil and gas plant and equipment	17,509	-	17,509
Oil and gas assets (producing)	261,132	-	261,132
Other assets	3,883	-	3,883
Liabilities	(2,443)	-	(2,443)
Asset retirement obligation	(16,073)	-	(16,073)
Net identifiable assets	264,230	-	264,230
Purchase consideration paid in cash		-	(264,230)

Had the assets been acquired at the beginning of the period, the estimated impact on the Group's revenue from oil sales would have been an increase of $12,593,238, with a resulting increase in net profit of $9,202,751. Transaction costs of $1,948,924 (USD$2,011,874) were incurred which have been recognised in profit and loss in accordance with AASB 3 *Business Combinations.*

29. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Entity	Balance Date	Country of incorporation	Class of shares	2012 %	2011 %
JSPC Yerostigaz	31 December[1]	Uzbekistan	Ordinary	91.6	91.6
Better Air LLC	31 December[1]	Uzbekistan	Ordinary	100	100
SAPEX Limited	30 June	Australia	Ordinary	100	100
Linc Carbon Solutions Pty Ltd	30 June	Australia	Ordinary	100	100
Linc Energy Operations Pty Ltd	30 June	Australia	Ordinary	100	100
New Emerald Coal Pty Ltd (formerly Teresa Coal Pty Ltd)	30 June	Australia	Ordinary	100	100
New Emerald Coal Operations Pty Ltd	30 June	Australia	Ordinary	100	-
New Pentland Coal Pty Ltd	30 June	Australia	Ordinary	100	-
Linc Energy Property Pty Ltd	30 June	Australia	Ordinary	100	-
Linc Energy (USA), Inc	30 June	USA	Ordinary	100	-
Linc Energy Resources, Inc	30 June	USA	Ordinary	100	-
Linc Clean Energy,Inc	30 June	USA	Ordinary	100	100
Linc Energy (Wyoming),Inc	30 June	USA	Ordinary	100	100
Linc Energy (Montana), Inc	30 June	USA	Ordinary	100	100
Linc Energy (Alaska), Inc	30 June	USA	Ordinary	100	100
Linc Energy Operations Inc.	30 June	USA	Ordinary	100	100
Linc Energy Petroleum (Wyoming), Inc	30 June	USA	Ordinary	100	100
Linc Gulf Coast Petroleum, Inc	30 June	USA	Ordinary	100	100
Pean Insula, LLC	30 June	USA	Ordinary	100	-
Diasu Holdings, LLC	30 June	USA	Ordinary	100	-
Diasu Oil & Gas, Inc	30 June	USA	Ordinary	100	-
Linc Energy Petroleum Lousiana, LLC	30 June	USA	Ordinary	100	-
Linc Energy Lousiana, LLC	30 June	USA	Ordinary	100	-
Linc Alaska Resources, LLC (formerly Renaissance Alaska, LLC)	30 June	USA	Ordinary	100	-
Renaissance Umiat, LLC	30 June	USA	Ordinary	84.5	-
Linc Energy (Europe) Ltd	30 June	United Kingdom	Ordinary	100	100
Linc Energy Operations Ltd	30 June	United Kingdom	Ordinary	100	100
Linc Energy (UK) Ltd	30 June	United Kingdom	Ordinary	100	100
Linc Energy (Poland) (sp.z.o.o.)	30 June	Poland	Ordinary	100	100
Linc Energy (Asia) Pte Ltd	30 June	Singapore	Ordinary	100	100
Linc Energy (Asia) 2 Pte Ltd	30 June	Singapore	Ordinary	100	100

[1] *Companies incorporated in Uzbekistan must have a balance date of 31 December.*

30. SHARE-BASED PAYMENTS

Employee option plan

The establishment of the Linc Energy Ltd Employee Option Plan was approved by Shareholders at the 2005 Annual General Meeting. This plan was replaced by the Performance Rights Plan with effect from the 2009 Annual General Meeting. However the option plan continues to operate until all outstanding options have vested. Options were granted at the discretion of the Board in accordance with the rules of the plan and all staff employed by the Company or its subsidiaries were eligible to participate in the plan.

As determined by the Board, a minimum continuous period of employment (usually 12 months) with the Company or any of its subsidiaries must be served prior to the first exercise date, which falls on 31st December annually. The option exercise price is set at the discretion of the Board, but is generally the ten day volume weighted average price (VWAP) of Linc Energy Ltd shares traded on the ASX following commencement of employment with the Group. Subject to ongoing employment by the Company or any of its subsidiaries, options are exercisable over three consecutive years from the initial exercise date, with one-third of the total options awarded exercisable each year.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

The assessed fair value at grant date was independently determined using a Black-Scholes option pricing model that took into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

No options were granted during the reporting period.

Financial year of grant 2012	Expiry date	Exercise price range $	Balance at start of year Number	Granted Number	Exercised or transferred Number	Forfeited[1] Number	Balance at end of year Number	Exercisable at end of the year Number
30 Jun 2010	31 Dec 14	1.45 to 1.79	6,540,497	-	(205,000)	(3,663,333)	2,672,164	1,625,501
30 Jun 2009	31 Dec 14	0.59 to 3.16	8,267,999	-	(255,000)	(4,448,337)	3,564,662	3,385,996
30 Jun 2008	31 Dec 13	0.60 to 2.55	3,803,333	-	(1,133,334)	(6,668)	2,663,331	2,663,331
30 Jun 2007	31 Dec 12	0.25 to 0.60	2,609,831	-	(2,329,833)	-	279,998	279,998
Total			**21,221,660**	**-**	**(3,923,167)**	**(8,118,338)**	**9,180,155**	**7,954,826**
Weighted average exercise price $			1.66	0.00	0.53	2.35	1.53	1.53

[1] Forfeited includes options that have lapsed or cancelled due to termination.

Financial year of grant 2011	Expiry date	Exercise price range $	Balance at start of year Number	Granted Number	Exercised or transferred Number	Forfeited[1] Number	Balance at end of year Number	Exercisable at end of the year Number
30 Jun 2011	27 May 13	0.25	-	500,000	(500,000)	-	-	-
30 Jun 2010	31 Dec 15	0.66 to 1.95	8,348,365	-	(1,056,171)	(751,697)	6,540,497	3,873,836
30 Jun 2009	31 Dec 14	0.25 to 3.16	11,514,668	-	(1,948,336)	(1,298,333)	8,267,999	5,960,674
30 Jun 2008	31 Dec 13	0.60 to 2.55	6,601,666	-	(2,771,667)	(26,666)	3,803,333	3,150,001
30 Jun 2007	31 Dec 12	0.25 to 0.60	7,012,996	-	(4,403,163)	(2)	2,609,831	2,609,831
Total			**33,477,695**	**500,000**	**(10,679,337)**	**(2,076,698)**	**21,221,660**	**15,594,342**
Weighted average exercise price $			0.96	0.25	0.69	1.89	1.66	1.62

[1] Forfeited includes options that have lapsed or cancelled due to termination.

During the year 3,923,167 (2011: 10,679,337) options were exercised. The weighted average share price at the dates of exercise was $0.53 (2011: $0.69).

Performance rights plan

The establishment of the Linc Energy Employee Performance Rights Plan was approved by Shareholders at the 2009 Annual General Meeting. Under the Plan, the Board may from time to time invite a full time employee or executive director of the Company or any wholly owned subsidiary or controlled entity of the Company whom the Board decides in its absolute discretion is eligible to be invited to receive a grant of Rights in the Plan, to participate in the Plan and grant the eligible employee a right to acquire fully paid ordinary shares in the Company on conversion of the right as part of the eligible employee's remuneration.

Rights typically vest in either three or four equal tranches over a period of three and half to four and half years with the first tranche vesting 12 months from the successful completion of an employee's six month probation period. The number of Rights granted to an employee is determined at the discretion of the Board and is generally based on a formula taking into account an employee's base salary and the Company's share price at the time of grant. Rights are granted to employees at no cost but may include non-market-based performance conditions. Rights automatically convert to shares on the vesting dates provided all vesting conditions have been met.

The fair value of the rights is determined based on Linc Energy's closing share price at the date of grant.

Rights granted under the plan carry no dividend or voting rights until they convert to ordinary shares. 6,543,756 Performance Rights were granted during the period (2011: 13,790,899).

Performance rights granted

Set out below is a summary of performance rights granted during the year:

Financial year of grant	Financial year of vesting date	Balance at start of year Number	Granted Number	Vested and converted Number	Forfeited[1] Number	Balance at end of year Number
2012						
30 June 2012	30 June 2012	-	1,066,333	(1,016,333)	-	50,000
	30 June 2013	-	1,178,221	-	(190,433)	987,788
	30 June 2014	-	1,651,858	-	(193,633)	1,458,225
	30 June 2015	-	1,301,844	-	(193,628)	1,108,216
	30 June 2016	-	936,067	-	(108,027)	828,040
	30 June 2017	-	409,433	-	(33,201)	376,232
30 Jun 2011	30 Jun 2012	4,324,524	-	(3,977,481)	(247,043)	100,000
	30 Jun 2013	4,117,871	-	(10,811)	(1,098,920)	3,008,140
	30 Jun 2014	2,850,797	-	-	(1,109,731)	1,741,066
	30 Jun 2015	1,170,354	-	-	(499,318)	671,036
30 Jun 2010	30 Jun 2012	1,458,379	-	(1,279,605)	(178,774)	-
	30 Jun 2013	1,708,372	-	(20,675)	(219,154)	1,468,543
	30 Jun 2014	453,401	-	-	(237,297)	216,104
Total		**16,083,698**	**6,543,756**	**(6,304,905)**	**(4,309,159)**	**12,013,390**
2011						
30 Jun 2011	30 Jun 2011	-	992,075	(992,075)	-	-
	30 Jun 2012	-	4,444,290	-	(119,766)	4,324,524
	30 Jun 2013	-	4,224,631	-	(106,759)	4,117,871
	30 Jun 2014	-	2,957,631	-	(106,759)	2,850,797
	30 Jun 2015	-	1,172,348	-	(1,993)	1,170,354
30 Jun 2010	30 Jun 2011	1,019,969	-	(1,004,969)	(15,000)	-
	30 Jun 2012	1,934,606	-	-	(476,227)	1,458,379
	30 Jun 2013	2,184,599	-	-	(476,227)	1,708,372
	30 Jun 2014	914,627	-	-	(461,226)	453,401
Total		**6,053,801**	**13,790,899**	**(1,997,044)**	**(1,763,958)**	**16,083,698**

[1] Forfeited rights are due to employees ceasing employment.

Expenses arising from sharebased payment transactions

Expenses arising from sharebased payment transactions recognised during the period totalled $10,721,270 (2011: $15,232,470).

31. RELATED PARTY TRANSACTIONS

	2012 $	2011 $
Key management personnel compensation		
Short-term employee benefits	**4,135,460**	2,738,776
Post-employment benefits	**314,709**	217,861
Long-term benefits	**30,390**	13,102
Share-based payments	**5,000,008**	5,881,202
	9,480,568	8,850,941

Loans to key management personnel

On 16 December 2011, a loan of $250,000 was provided to Ken Dark, a Non-Executive Independent Director, for the purposes of exercising options granted under the Employee Share Plan. The loan was provided on commercial terms, with interest calculated monthly at a current rate of 10.7%. The loan is repayable no later than four years from the date of the loan and is secured by a holding lock over the shares. At the date of this report the outstanding balance of the loan is $238,220 (2011: Nil).

Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Linc Energy Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Expiry date[1]	Exercise price $	Balance at start of year[3] Number	Granted Number	Exercised Number	Disposed[2] Number	Forfeited/ expired Number	Balance at end of year[4] Number
2012								
K. Dark	31 Dec 2011	0.25	1,000,000	-	(1,000,000)	-	-	-
P. Bond		-	-	-	-	-	-	-
J. Mathews		-	-	-	-	-	-	-
C. Ricato	31 Dec 2012	0.70	500,000	-	-	-	-	500,000
O. Yates		-	-	-	-	-	-	-
A. Rohner	31 Dec 2014	1.53	1,733,333	-	-	(200,000)	-	1,533,333
K. Terblanche	31 Dec 2013	1.91	1,700,000	-	-	-	(366,667)	1,333,333
D. Smith	31 Dec 2013	2.98	600,000	-	-	-	(200,000)	400,000
D. Schofield	31 Dec 2014	0.76	1,150,000	-	-	(483,334)	-	666,666
J. Van de Velde	31 Dec 2011	0.25	193,166	-	(125,500)	(67,600)	-	-
J. Van de Velde	31 Dec 2012	0.60	400,000	-	-	(200,000)	-	200,000
J. Van de Velde	31 Dec 2013	3.16	100,000	-	-	-	-	100,000
			7,376,499	**-**	**(1,251,500)**	**(951,000)**	**(566,667)**	**4,733,332**
Weighted average exercise price $			1.32	0.00	0.25	0.85	2.29	1.56

Name	Expiry date[1]	Exercise price $	Balance at start of year[3] Number	Granted Number	Exercised Number	Disposed[2] Number	Forfeited/ expired Number	Balance at end of year[4] Number
2011								
B. Johnson		-	-	-	-	-	-	-
P. Bond		-	-	-	-	-	-	-
K. Dark	31 Dec 2011	0.25	2,000,000	-	(1,000,000)	-	-	1,000,000
J. Mathews		-	-	-	-	-	-	-
O. Yates		-	-	-	-	-	-	-
A. Rohner	31 Dec 2014	1.53	2,000,000	-	-	(266,667)	-	1,733,333
C. Ricato	31 Dec 2012	0.70	1,500,000	-	-	(1,000,000)	-	500,000
K. Terblanche	31 Dec 2013	1.91	2,000,000	-	-	(300,000)	-	1,700,000
D. Smith	31 Dec 2013	2.98	600,000	-	-	-	-	600,000
D. Schofield	31 Dec 2014	0.76	1,800,000	-	-	(650,000)	-	1,150,000
			9,900,000	**-**	**(1,000,000)**	**(2,216,667)**	**-**	**6,683,333**
Weighted average exercise price $			1.17	0.00	0.25	0.98	0.00	1.48

[1] Options vest and are exercisable over three consecutive years from the initial exercise date, with one-third of the total options awarded vesting and exercisable at 31 December each year following completion of a minimum service period, usually twelve months. The expiry date disclosed is the expiry date of the third and final tranche of options. Where an employee has been employed for greater than three years, an additional award of options may be granted at the discretion of the Board in the employee's fourth or later year.

[2] In accordance with a resolution of the Board, directors and employees may dispose of their vested options to a third party. The third party remains subject to the employee option plan rules in respect of options held and have exercised these options during the period.

[3] Or date commenced as a key management person.

[4] Or date ceased as a key management person.

Rights over equity instruments

The movement during the reporting period in the number of rights to ordinary shares in Linc Energy Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Balance at start of year[1] Number	Number of rights granted as compensation during year Number	Vested during the year Number	Unvested balance at end of the year[2] Number
2012				
K. Dark	-	-	-	-
P. Bond	-	-	-	-
J. Mathews	500,000	-	(125,000)	375,000
C. Ricato	1,250,000	396,861	(896,861)	750,000
O. Yates	1,000,000	-	(250,000)	750,000
A. Rohner	-	-	-	-
K. Terblanche	1,333,333	-	(666,667)	666,666
D. Smith	1,500,000	-	(500,000)	1,000,000
D. Schofield	-	500,000	(500,000)	-
J. Van de Velde	225,000	53,851	(228,851)	50,000
S. Broussard	-	400,000	-	400,000
A. Bond	-	400,000	-	400,000
	5,808,333	**1,750,712**	**(3,167,379)**	**4,391,666**
2011				
O. Yates	-	1,000,000	-	1,000,000
J. Mathews	-	500,000	-	500,000
C. Ricato	1,750,000	-	(500,000)	1,250,000
K. Terblanche	-	2,000,000	(666,667)	1,333,333
D. Smith	-	1,500,000	-	1,500,000
	1,750,000	**5,000,000**	**(1,166,667)**	**5,583,333**

[1] Or date commenced as a key management person.

[2] Or date ceased to be a key management person

Movements in shares

The movement during the reporting period in the number of ordinary shares in Linc Energy Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name Ordinary shares	Balance at the start of the year[4] Number	Additions Number	Disposals Number	Balance at the end of the year[5] Number
2012				
K. Dark	1,017,000	1,000,000	-	2,017,000
P. Bond[1]	202,121,028	-	-	202,121,028
J. Mathews	-	125,000	-	125,000
C. Ricato	500,000	896,861	-	1,396,861
O. Yates	278,551	250,000	-	578,551
A. Rohner	-	-	-	-
K. Terblanche	315,001	666,667	(215,000)	766,668
D. Smith[2]	18,143	500,000	(18,143)	500,000
D. Schofield	-	500,000	-	500,000
J. Van de Velde	365,000	354,351	(573,678)	145,673
S. Broussard	-	-	-	-
A. Bond	-	-	-	-
M. Mapp	-	-	-	-
	204,614,723	**4,292,879**	**(806,821)**	**208,100,781**
2011				
B. Johnson[3]	1,000,000	-	(1,000,000)	-
P. Bond[1]	200,923,904	1,197,124	-	202,121,028
K. Dark	597,503	1,000,000	(580,503)	1,017,000
J. Mathews	-	-	-	-
O. Yates	-	278,551	-	278,551
A. Rohner	-	-	-	-
C. Ricato	-	500,000	-	500,000
K. Terblanche	-	666,667	(351,666)	315,001
D. Smith[2]	28,143	-	(10,000)	18,143
D. Schofield	-	750,000	(750,000)	-
	202,549,550	**4,392,342**	**(2,692,169)**	**204,249,723**

[1] Mr Bond's shares are held via Newtron Pty Ltd or its nominees.
[2] Mr Smith's shares are held via a related party.
[3] Mr Johnson's shares are held via Moonstar Investments Pty Ltd atf The Pemberley Trust.
[4] Or date commenced being a key management person
[5] Or date ceased to be a key management person

31. RELATED PARTY TRANSACTIONS (CONT.)

Transactions with key management personnel and directors

Directors, Mr P. Bond and Mr C Ricato, hold positions in other entities that result in them having control or significant influence over the financial and operating policies of those entities. These entities have transacted with the Group in the reporting period. The terms and conditions of the transactions with these entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control of significant influence were as follows:

Payable transactions with key management personnel and directors

			Transactions value year ended 30 June		Balance outstanding as at 30 June	
			2012	2011	2012	2011
Key Management Person	Related party entity	Transaction	$	$	$	$
Peter Bond	Bond Bros Contracting Pty Ltd	Executive services	**824,633**	583,000	**-**	-
	Bond Air Charters Pty Ltd	Chartered flights	**480,188**	259,140	**42,895**	2,584
	Rough Diamond Media Pty Ltd	Documentary film	**67,897**	50,000	**-**	50,000
	Australian Syngas Association	Membership	**11,000**	11,000	**-**	-
Craig Ricato	Executive Management Services Discretionary Trust	Executive services	**555,940**	297,713	**-**	-
Brian Johnson	Ferrous Metals Pty Ltd	Directors fees	**-**	4,167	**-**	-
	Ferrous Metals Pty Ltd	Reimbursement of expenses	**-**	763	**-**	-
Ken Dark	KE & SL Dark	Executive services	**129,809**	-	**65,681**	-
	KE & SL Dark	Reimbursement of expenses	**12,369**	-	**-**	-
David Smith	Dame Consulting	Executive services	**378,125**	-	**34,375**	-

Receivable transactions with key management personnel and directors

			Transactions value year ended 30 June		Balance outstanding as at 30 June	
			2012	2011	2012	2011
Key Management Person	Related party entity	Transaction	$	$	$	$
Peter Bond	Peter Bond	Reimbursement of expenses	**32,408**	33,447	**76,681**	44,273
	Bond Bros Contracting Pty Ltd	Reimbursement of expenses	**-**	-	**3,200**	3,200
Ken Dark	KE & SL Dark	Loan	**250,000**	-	**250,000**	-

Outstanding balances arising from transactions with related parties

From time to time, directors or other key management personnel of the Group may be required to reimburse the Group for personal expenses incurred. During the reporting period details were as follows:

Mr P. Bond is required to reimburse the company for personal expenses incurred with a value of $32,408 (2011: $33,447). An amount of $76,681 remains unpaid at 30 June 2012 (2011: $44,273). No interest is charged on this amount.

Bond Bros Contracting Pty Ltd is required to reimburse the company for expenses incurred with a value of $Nil (2011:Nil). An amount of $3,200 remains unpaid at 30 June 2012 (2011: $3,200) but is deemed to be recoverable.

Other related party interests

Hillgrove Pty Ltd, a company controlled by Managing Director, Peter Bond owns a 7.03% interest in Powerhouse Energy Group plc, an entity Linc Energy Ltd also holds a 9.96% interest in. Mr P. Bond is not involved in discussions or board decisions relating to the Company's investment in Powerhouse Energy. Subsequent to the end of the reporting period, the Company entered into an agreement to provide a loan to Hillgrove Pty Ltd – refer to note 34 for further details on this matter.

Additional information

Further information relating to key management personnel is set out in the Remuneration Report included on pages 52 to 64 of the Directors' Report.

32. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ended 30 June 2012 the parent entity of the Group was Linc Energy Ltd:

	Company	
	2012	2011
	$'000	$'000
Result of the parent entity		
Profit/(loss) for the period	**(55,630)**	307,119
Other comprehensive income	**(7,895)**	5,726
Total comprehensive income / (loss) for the period	**(63,525)**	312,845
Financial position of the parent entity at year end		
Current assets	**20,411**	201,189
Total assets	**545,138**	604,691
Current liabilities	**70,563**	23,310
Total liabilities	**81,226**	79,110
Total equity of the parent entity comprising of:		
Share capital	**310,606**	309,493
Share-based payment reserve	**28,516**	28,868
Available-for-sale reserve	**(2,169)**	5,726
Other reserves	**5,274**	5,274
Retained earnings	**121,685**	176,220
Total Equity	**463,912**	525,581

Parent entity contingencies

As at the balance sheet date there are no legal claims pending against the parent and the Directors are not aware of any other contingent liabilities other than as set out in note 27.

Parent entity capital commitments for the acquisition of intangible assets or property, plant and equipment

As at the balance sheet date the parent entity had capital commitments totalling $4,310,000 for the acquisition of tangible and intangible assets.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity does not guarantee the debts of its subsidiaries (30 June 2011: Nil). The Parent entity has provided a letter of financial support to the Directors of SAPEX Limited and Linc 's US subsidiaries.

33. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group.

	Consolidated	
	2012	2011
	$	$
Audit services		
KPMG Australia	**326,650**	293,000
Overseas KPMG firms	**233,701**	121,853
	560,351	414,853
Services other than statutory audit:		
KPMG Australia:		
Taxation advisory services	-	49,900
IT advisory services	**180,491**	54,797
Forensic advisory services	**39,000**	-
	219,491	104,697

34. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Extension of Fortress line of credit facility

On 6 September 2012, the Group announced that it had reached agreement on the terms for an extension of the A$120,000,000 line of credit facility with Fortress Investment Group until 24 July 2015. As consideration for the extension of the facility, the Group provided Fortress with additional security over certain of its assets along with a warrant allowing Fortress to subscribe for up to 1% (5,112,991 shares) of the issued share capital of Linc Energy Ltd at a total cost of $1 at any time until 24 July 2015. The extension was subject to certain conditions precedent that were satisfied on 17 September 2012.

Corporate bond issue

On 14 September 2012, the Group announced that it had commenced the process to raise approximately USD$265,000,000 via the issue of its first ever corporate bond. At the date of this report this process is ongoing.

Loan to Executive Director

On 22 August 2012, an agreement was entered into to provide a loan of up to $230,952 (£150,000) to Hillgrove Pty Ltd, a company controlled by Managing Director Peter Bond, for the purposes of providing short term funding to Powerhouse Energy Plc. The loan was provided on commercial terms, with interest calculated monthly at a current rate of 10.71 percent. The loan is repayable no later than four years from the date of the loan. Linc Energy retains the right to take over this loan from Hillgrove Pty Ltd. At the date of this report the outstanding balance of the loan is $92,480 (£60,158)

DIRECTORS' DECLARATION **FOR THE YEAR ENDED 30 JUNE 2012**

In the Directors' opinion:

1. (a) The consolidated financial statements and notes, set out on pages 73 to 116, and the Remuneration report in the Directors' report, set out on pages 52 to 64, are in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* ; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

2. The Directors have been given the declarations by the chief executive officer and financial controller required by Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

3. The Directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors.

Peter Bond
Managing Director
Brisbane
28 September 2012

KPMG

Independent auditor's report to the members of Linc Energy Ltd

Report on the financial report

We have audited the accompanying financial report of Linc Energy Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 compromising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

KPMG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the Corporations Act 2001, including:

  i. giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the remuneration report included on pages 52 to 64 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Linc Energy Ltd for the year ended 30 June 2012, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Simon Crane
Partner

Brisbane
28 September 2012

The Shareholder information set out below was applicable as at 7 September 2012.

	Ordinary shares		
	Shares	Options	Rights
Equity security holders			
Total number of equity security holders	13,906	51	112
Distribution of equity security holders			
Analysis of numbers of equity security holders by size of holding:			
1 – 1,000	3,339	0	0
1,001 - 5,000	4,953	0	10
5,001 - 10,000	2,235	2	22
10,001 - 100,000	3,034	33	70
100,001 and over	345	16	10

Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options and Rights

No voting rights.

Twenty largest quoted equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
1. Newtron Pty Ltd (Peter Adam Bond Fam 3 A/C)	105,658,738	20.70%
2. Newtron Pty Ltd (Peter Adam Bond Family A/C)	44,341,262	8,69%
3. National Nominees Limited	36,065,525	7.07%
4. UBS Nominees Pty Ltd	16,074,286	3.15%
5. HSBC Custody Nominees (Australia) Limited	14,359,380	2.81%
6. HSBC Custody Nominees (Australia) Limited – A/C 3	13,380,753	2.62%
7. J P Morgan Nominees Australia Limited (Cash Income A/C)	11,978,401	2.35%
8. J P Morgan Nominees Australia Limited	10,301,198	2.02%
9. Citicorp Nominees Limited	8,465,060	1.66%
10. Marubeni Coal Pty Ltd	7,371,000	1.44%
11. Newtron Pty Ltd (Peter A Bond Fam NO 3 A/C)	6,265,166	1.23%
12. Perpetual Custodians Limited	6,150,961	1.21%
13. Newtron Pty Ltd (Peter Adam Bond Family A/C)	5,750,000	1.13%
14. Steven Fierro	4,847,005	0.95%
15. HSBC Custody Nominees (Australia) Limited – A/C 2	2,539,668	0.50%
16. Mr Mark Andrew Tomkins (Tomkins Family A/C)	2,286,500	0.45%
17. Merrill Lynch (Australia) Nominees Pty Limited	1,494,987	0.29%
18. QIC Limited	1,460,181	0.29%
19. AMP Life Limited	1,436,850	0.28%
20. Craig Ricato	1,396,861	0.27%
	301,623,782	**59.10%**

Substantial equity security holders

The number of shares held by substantial shareholders and their associates are set out below:

Newtron Pty Ltd (including 40,105,862 held through Nominees)	202,121,028	39.6%

Holders of less than a marketable parcel of equity securities

The number of shareholders with less than a marketable parcel of equity securities	2,276	16.37%

Restricted securities subject to voluntary escrow	**Number**	**Date restriction ends**
Shares held in escrow as security for a director loan	1,000,000	On repayment

QUEENSLAND MINING TENEMENTS

Tenement Name	Tenement #	Location	Percentage Interest
Rathdowney	EPC 910	40km S Ipswich - Clarence Moreton Basin	100%
Wowam	EPC 908	40km N Biloela - Biloela Basin	100%
Gallilee South	EPC 1227	60km W Clermont - Galilee Basin	100%
Pentland	EPC 526	220km SW Townsville - Galilee Basin	100%
Jambin	EPC 909	25km N Biloela - Biloela/Callide Basins	100%
Tipton Sth	EPC 938	60km SW Dalby - Surat Basin	100%
Teresa/Lucknow	EPC 1226	30km N Emerald - SW Bowen Basin	100%
Biloela	EPC1248	40km N Biloela - Biloela Basin	100%
Cloncurry Nth	EPC 1525	120km NW Hughenden - Eromanga Basin	100%
Cloncurry Sth	EPC 1526	85km NW Hughenden - Galilee/Eromanga Basins	100%
Saxby	EPC 1549	150km NW Hughenden - Eromanga Basin	100%
Wilkie	EPC 897	40km SE Chinchilla - Surat Basin	100%
Wilkie	EPC 898	30km SE Chinchilla - Surat Basin	100%
Wilkie	EPC 899	20km NW Dalby - Surat Basin	100%
Teresa	EPC 980	20km N Emerald - SW Bowen Basin	100%
Tipton	EPC 1770	30km SW Dalby - Surat Basin	100%
Chinchilla West	EPC 1046	20km S Chinchilla - Surat Basin	100%
Tipton 2	EPC 902	30km S Dalby - Surat Basin	100%
Teresa North	EPC 1267	20km N Emerald - SW Bowen Basin	100%
Wowam West	EPC 1323	20km NW Wowan - Biloela Basin	100%
Chinchilla	EPC1247	15km SW Chinchilla - Surat Basin	100%
Chinchilla	EPC 635	15km S Chinchilla - Surat Basin	100%
Dunmore	EPC 1537	50km SW Dalby - Surat Basin	100%
Lily Pond	EPC 1550	130km NE Cloncurry - Eromanga Basin	100%
Dingo	EPC 1536	15km NW Biloela - Biloela/Callide Basins	100%
Cloncurry Central	EPC 1527	100km NW Hughenden - Eromanga Basin	100%
Gallilee North	EPCa1228	75km NW Clermont - Galilee Basin	100%
Agnes	EPCa 2541	90km NE Hughenden - Eromanga/Galilee Basins	100%
Devlin	EPCa 2543	10 S Hughenden - Eromanga/Galilee Basins	100%
Pelican	EPCa 2549	120 N Hughenden - Eromanga/Galilee Basins	100%
Walker	EPCa 2551	7 S Hughenden - Eromanga/Galilee Basins	100%
Cuthbert	EPCa 2552	95 N Hughenden - Eromanga/Galilee Basins	100%
Chinchilla	MDL 309	15km S Chinchilla - Surat Basin	100%
Tipton	MDLa 371	30km SW Dalby - Surat Basin	100%
Pentland	MDLa 361	220km SW Townsville- Galilee Basin	100%
Chinchilla Extended	MDLa 407	15km S Chinchilla - Surat Basin	100%
Hopeland 1	MLa 50242	15km S Chinchilla - Surat Basin	100%
Theresa	MLa 70405	20km N Emerald - SW Bowen Basin	100%
Theresa North	MLa 70442	30km N Emerald - SW Bowen Basin	100%
Hopeland 2	PLa 284	20km S Chinchilla - Surat Basin	100%
Lucknow	PLa 286	30km N Emerald - SW Bowen Basin	100%
Teresa East	EPCa 2841	35km NE Emerald – Bowen Basin	100%

SOUTH AUSTRALIA MINING TENEMENTS

Tenement Name	Tenement #	Location	Percentage Interest
PEL117	PEL117	Arckaringa Basin	100%
PEL118	PEL118	Arckaringa Basin	100%
PEL119	PEL119	Arckaringa Basin	100%
PEL120	PEL120	Begins N Adelaide, extends N 257km ~50km W Port Augusta - St Vincent/Walloway Basins	100%
PEL121	PEL121	Arckaringa Basin	100%
PEL122	PEL122	Arckaringa Basin	100%
PEL123	PEL123	Arckaringa Basin	100%
PEL124	PEL124	Arckaringa Basin	100%
PELA 658	PELA 568	Cooper/ Eromanga Basin	100%
PELA 659	PELA 569	Cooper/ Eromanga Basin	100%
Arckaringa	EL 4502	130 NE Coober Pedy - Arckaringa Basin	100%
Williams Bore	EL 4501	90 NE Coober Pedy - Arckaringa Basin	100%
Walloway	EL 4148	90km SE Port Augusta - Walloway Basin	100%
Cadaree Hill	EL 4272	80km NE Coober Pedy - Arckaringa Basin	100%
Mt Andrews	EL 4273	70km SW Oodnadatta - Arckaringa Basin	100%
Orroroo	EL 4454	90km E Port Augusta - Walloway Basin	100%
Weira Plains	EL 4540	90km ENE Port Augusta - Walloway Basin	100%
PELa 604	PELa 604	Arckaringa Basin	100%
PELa 606	PELa 606	Walloway & Stansbury Basin	100%
Mt Andrews	Ela 178/11	70km SW Oodnadatta	100%

WYOMING STATE COAL LEASES

	Location	Percentage Interest
ROW WYW-168336	Campbell	100%
ROW WYW-170255	Campbell	100%
State Of Wyoming No 0-41150	Campbell	100%
State Of Wyoming No 41120	Campbell	100%
State Of Wyoming No 41121	Campbell	100%
State Of Wyoming No 41122	Campbell	100%
State Of Wyoming No 41123	Campbell	100%
State Of Wyoming No 41124	Campbell	100%
State Of Wyoming No 41127	Campbell	100%
State Of Wyoming No 41128	Campbell	100%
State Of Wyoming No 41129	Campbell	100%
State Of Wyoming No 41130	Campbell	100%
State Of Wyoming No 41131	Campbell	100%
State Of Wyoming No 41132	Campbell	100%
State Of Wyoming No 41133	Campbell	100%
State Of Wyoming No 41134	Campbell	100%
State Of Wyoming No 41135	Campbell	100%
State Of Wyoming No 41136	Campbell	100%
State Of Wyoming No 41139	Campbell	100%
State Of Wyoming No 41140	Campbell	100%
State Of Wyoming No 41141	Campbell	100%
State Of Wyoming No 41142	Campbell	100%
State Of Wyoming No 41143	Campbell	100%
State Of Wyoming No 41144	Campbell	100%
State Of Wyoming No 41145	Campbell	100%
State Of Wyoming No 41146	Campbell	100%
State Of Wyoming No 41146A	Campbell	100%
State Of Wyoming No 41149	Campbell	100%
State Of Wyoming No 41151	Campbell	100%
State Of Wyoming No 41152	Campbell	100%
State Of Wyoming No 41153	Campbell	100%
State Of Wyoming No 41154	Campbell	100%
State Of Wyoming No 41155	Campbell	100%
State Of Wyoming No 41156	Campbell	100%
State Of Wyoming No 41157	Campbell	100%
State Of Wyoming No 41158	Campbell	100%
State Of Wyoming No 41159	Campbell	100%
State Of Wyoming No 41160	Campbell	100%
State Of Wyoming No 41162	Campbell	100%
State Of Wyoming No 41163	Campbell	100%
State Of Wyoming No 41316	Campbell	100%
State Of Wyoming No 41317	Campbell	100%
State Of Wyoming No 41318	Campbell	100%
State Of Wyoming No 41319	Campbell	100%
State Of Wyoming No 42156	Campbell	100%
State Of Wyoming No 42157	Campbell	100%
State Of Wyoming No 42158	Campbell	100%
State Of Wyoming No 42159	Campbell	100%
State Of Wyoming No 42160	Campbell	100%

	Location	Percentage Interest
State Of Wyoming No 42161	Campbell	100%
State Of Wyoming No 42162	Campbell	100%
State Of Wyoming No 42163	Campbell	100%
State Of Wyoming No 42292	Campbell	100%
State Of Wyoming No 42293	Campbell	100%
State Of Wyoming No 42294	Campbell	100%
State Of Wyoming No 42295	Campbell	100%
State Of Wyoming No 42296	Campbell	100%
State Of Wyoming No 42298	Campbell	100%
State Of Wyoming No 42797	Carbon	100%
State Of Wyoming No 42798	Carbon	100%
State Of Wyoming No 42799	Carbon	100%
State Of Wyoming No 42800	Carbon	100%
State Of Wyoming No 42801	Carbon	100%
State Of Wyoming No 42802	Carbon	100%
State Of Wyoming No 42807	Carbon	100%
State Of Wyoming No 42809	Carbon	100%
State Of Wyoming No 42810	Carbon	100%
State Of Wyoming No 42719	Converse	100%
State Of Wyoming No 42720	Converse	100%
State Of Wyoming No 42721	Converse	100%
State Of Wyoming No 42722	Converse	100%
State Of Wyoming No 42723	Converse	100%
State Of Wyoming No 42724	Converse	100%
State Of Wyoming No 42725	Converse	100%
State Of Wyoming No 42726	Converse	100%
State Of Wyoming No 42727	Converse	100%
State Of Wyoming No 42728	Converse	100%
State Of Wyoming No 42729	Converse	100%
State Of Wyoming No 42730	Converse	100%
State Of Wyoming No 42731	Converse	100%
State Of Wyoming No 42732	Converse	100%
State Of Wyoming No 42733	Converse	100%
State Of Wyoming No 42734	Converse	100%
State Of Wyoming No 42735	Converse	100%
State Of Wyoming No 42736	Converse	100%
State Of Wyoming No 42737	Converse	100%
State Of Wyoming No 42784	Converse	100%
State Of Wyoming No 42785	Converse	100%
State Of Wyoming No 42786	Converse	100%
State Of Wyoming No 42787	Converse	100%
State Of Wyoming No 42788	Converse	100%
State Of Wyoming No 42789	Converse	100%
State Of Wyoming No 42790	Converse	100%
State Of Wyoming No 42791	Converse	100%
State Of Wyoming No 41100	Johnson	100%
State Of Wyoming No 41101	Johnson	100%
State Of Wyoming No 41102	Johnson	100%
State Of Wyoming No 41103	Johnson	100%

	Location	Percentage Interest
State Of Wyoming No 41104	Johnson	100%
State Of Wyoming No 41105	Johnson	100%
State Of Wyoming No 41106	Johnson	100%
State Of Wyoming No 41107	Johnson	100%
State Of Wyoming No 41108	Johnson	100%
State Of Wyoming No 41109	Johnson	100%
State Of Wyoming No 41110	Johnson	100%
State Of Wyoming No 41111	Johnson	100%
State Of Wyoming No 41112	Johnson	100%
State Of Wyoming No 41113	Johnson	100%
State Of Wyoming No 41114	Johnson	100%
State Of Wyoming No 41115	Johnson	100%
State Of Wyoming No 41116	Johnson	100%
State Of Wyoming No 41117	Johnson	100%
State Of Wyoming No 41118	Johnson	100%
State Of Wyoming No 41119	Johnson	100%
State Of Wyoming No 41161	Johnson	100%
State Of Wyoming No 41327	Johnson	100%
State Of Wyoming No 41328	Johnson	100%
State Of Wyoming No 41329	Johnson	100%
State Of Wyoming No 41330	Johnson	100%
State Of Wyoming No 41331	Johnson	100%
State Of Wyoming No 41332	Johnson	100%
State Of Wyoming No 41333	Johnson	100%
State Of Wyoming No 41334	Johnson	100%
State Of Wyoming No 41335	Johnson	100%
State Of Wyoming No 41338	Johnson	100%
State Of Wyoming No 41339	Johnson	100%
State Of Wyoming No 41340	Johnson	100%
State Of Wyoming No 41341	Johnson	100%
State Of Wyoming No 42166	Johnson	100%
State Of Wyoming No 42170	Johnson	100%
State Of Wyoming No 42171	Johnson	100%
State Of Wyoming No 42172	Johnson	100%
State Of Wyoming No 42173	Johnson	100%
State Of Wyoming No 42174	Johnson	100%
State Of Wyoming No 42175	Johnson	100%
State Of Wyoming No 42176	Johnson	100%
State Of Wyoming No 42177	Johnson	100%
State Of Wyoming No 42299	Johnson	100%
State Of Wyoming No 42300	Johnson	100%
State Of Wyoming No 42310	Johnson	100%
State Of Wyoming No 42378	Johnson	100%
State Of Wyoming No 42379	Johnson	100%
State Of Wyoming No 42380	Johnson	100%
State Of Wyoming No 42381	Johnson	100%
State Of Wyoming No 42382	Johnson	100%
State Of Wyoming No 42386	Johnson	100%
State Of Wyoming No 42387	Johnson	100%

	Location	Percentage Interest
State Of Wyoming No 42388	Johnson	100%
State Of Wyoming No 42528	Johnson	100%
State Of Wyoming No. 0-41098	Johnson	100%
State Of Wyoming No. 0-41099	Johnson	100%
State Of Wyoming No 42811	Linc oln	100%
State Of Wyoming No 41097	Sheridan	100%
State Of Wyoming No 41320	Sheridan	100%
State Of Wyoming No 41321	Sheridan	100%
State Of Wyoming No 41322	Sheridan	100%
State Of Wyoming No 41323	Sheridan	100%
State Of Wyoming No 41324	Sheridan	100%
State Of Wyoming No 41325	Sheridan	100%
State Of Wyoming No 41326	Sheridan	100%
State Of Wyoming No 41336	Sheridan	100%
State Of Wyoming No 41337	Sheridan	100%
State Of Wyoming No 41342	Sheridan	100%
State Of Wyoming No 42164	Sheridan	100%
State Of Wyoming No 42165	Sheridan	100%
State Of Wyoming No 42167	Sheridan	100%
State Of Wyoming No 42168	Sheridan	100%
State Of Wyoming No 42169	Sheridan	100%
State Of Wyoming No 42297	Sheridan	100%
State Of Wyoming No 42301	Sheridan	100%
State Of Wyoming No 42302	Sheridan	100%
State Of Wyoming No 42303	Sheridan	100%
State Of Wyoming No 42304	Sheridan	100%
State Of Wyoming No 42305	Sheridan	100%
State Of Wyoming No 42306	Sheridan	100%
State Of Wyoming No 42307	Sheridan	100%
State Of Wyoming No 42308	Sheridan	100%
State Of Wyoming No 42309	Sheridan	100%
State Of Wyoming No 42311	Sheridan	100%
State Of Wyoming No 42312	Sheridan	100%
State Of Wyoming No 42313	Sheridan	100%
State Of Wyoming No 42314	Sheridan	100%
State Of Wyoming No 42315	Sheridan	100%
State Of Wyoming No 42316	Sheridan	100%
State Of Wyoming No 42317	Sheridan	100%
State Of Wyoming No 42318	Sheridan	100%
State Of Wyoming No 42319	Sheridan	100%
State Of Wyoming No 42320	Sheridan	100%
State Of Wyoming No 42321	Sheridan	100%
State Of Wyoming No 42322	Sheridan	100%
State Of Wyoming No 42323	Sheridan	100%
State Of Wyoming No 42324	Sheridan	100%
State Of Wyoming No 42325	Sheridan	100%
State Of Wyoming No 42383	Sheridan	100%
State Of Wyoming No 42384	Sheridan	100%
State Of Wyoming No 42385	Sheridan	100%
State Of Wyoming No 42813	Sweetwater	100%

MONTANA AND NORTH DAKOTA COAL LEASES

	Location	Percentage Interest
James P & Ruthann Zielsdorf	Golden Valley	100%
Dorothy Michels Stolberg	Golden Valley	100%
Eleanor Michels, A Widow	Golden Valley	100%
Joann K Jablonski, A Widow	Golden Valley	100%
Emrys Lloyd Eckre	Golden Valley	100%
Frank C And Clara Michels	Golden Valley	100%
Dorothy Michels Stolberg	Golden Valley	100%
Eleanor Michels, A Widow	Golden Valley	100%
Annabelle Emily Edsall	Golden Valley	100%
Herbert & Alice M Michels	Golden Valley	100%
Sharon M Zinsli, A Widow	Golden Valley	100%
Aleta F. Heckaman	Golden Valley	100%
Charles W. & Boontuang Heck	Golden Valley	100%
Thomas W. & Joan Y. Heckaman	Golden Valley	100%
Duane L. & Joan M. Heckaman	Golden Valley	100%
Frank C And Clara Michels	Wibaux	100%
Joann K Jablonski	Wibaux	100%
Annabelle Emily Edsall	Wibaux	100%
The Salvation Army	Wibaux	100%
Carol A Burch Et Vir	Wibaux	100%
Herbert & Alice M Michels	Wibaux	100%
James P & Ruthann Zielsdorf	Wibaux	100%
The Salvation Army	Wibaux	100%
Marion E Thompson, A Widow	Wibaux	100%
Marion E Thompson, A Widow	Wibaux	100%
John Casselman Jr	Wibaux	100%
RKT Trust (J M McClure TTE)	Wibaux	100%
Ernest Wojahn, A Single Ma	Wibaux	100%
Esther E. Lloyd	Wibaux	100%
Donald E Wojahn, MMDSSP	Wibaux	100%
A & L Begger Trust	Wibaux	100%

ALASKA COAL LEASES

	Location	Percentage Interest
AK Mental Health Trust 9400434	Denali Borough	100%
AK Mental Health Trust 9200462	Kenai Penninsula Borough	100%
AK Mental Health Trust 9200461	Tyonek	100%

ALASKA OIL & GAS LEASES

	Location	Percentage Interest
State of Alaska ADL 390581	Matanuska-Susitna Borough	100%
State of Alaska MHT 9300061	Matanuska-Susitna Borough	100%
State of Alaska ADL 390720	North Slope Borough	100%
State of Alaska ADL 390884	North Slope Borough	100%
US Dept. of Interior AA 084141	North Slope Borough	100%
US Dept. of Interior AA 081726	North Slope Borough	100%

WYOMING OIL & GAS LEASES

	Location	Percentage Interest
Thomas Christinck	Campbell	100%
Margaret Bath	Campbell	100%
A J Kopp And Lulu L Kopp	Converse	100%
Agnes Verner, Et Al	Converse	79%
Ann Obrzut	Converse	100%
Arthur E Symons	Converse	100%
C. E. Kopp And Mildred M. Kopp	Converse	100%
C. M. Kopp And Mary S. Kopp	Converse	100%
Calvert Crary Residuary Trust Dated April 29, 1997	Converse	77%
Carolyn L. Riley, Et Al	Converse	100%
Charles B Olin Et Al	Converse	98%
Chicago & North Western Transportation	Converse	35%
Chris Eyre	Converse	100%
Clyde M Watts And Albert D Walton	Converse	98%
Continental Oil Company	Converse	100%
E R Mcquaid And Clara B Mcquaid	Converse	100%
Edward Walkinshaw Et Ux	Converse	35%
Elmer Energy	Converse	78%
Fenex Oil Co Et Al	Converse	100%
Fenex Oil Co Et Al	Converse	100%
Fenex Oil Co Et Al	Converse	78%
Frances Foster	Converse	77%
Fred Walkinshaw And Nora Walkinshaw	Converse	98%
George A Leach And Alma Leach	Converse	100%
George A Leach And Alma Leach	Converse	77%
George W Kelly Et Al	Converse	96%
Glenrock Sheep Company	Converse	100%
Gus Engleking Et Al	Converse	100%
Gary Pothe And Minnie Pothe	Converse	100%
H C Young Et Al	Converse	100%
Horace L Crary	Converse	100%
Iona M Campbell Et Vir	Converse	100%

	Location	Percentage Interest
J L Gooder & Florence E Gooder, H/W And George T. Godder & Evelyn C. Godder, H/W	Converse	47%
J L Gooder Et Al	Converse	98%
James C Tvaruzek And Elizabeth Tvaruzek	Converse	98%
James C Tvaruzek And Elizabeth Tvaruzek	Converse	78%
Jon C. Nicolaysen, Trustee For The KGN Mineral Trust Dated September 9, 1998 (April M Jeffers)	Converse	77%
Jon C. Nicolaysen, Trustee For The KGN Mineral Trust Dated September 9, 1998 (Dean Gifford Davidge)	Converse	100%
Jon C. Nicolaysen, Trustee For The KGN Mineral Trust Dated September 9, 1998 (Lura Crary Griswold)	Converse	100%
Jon C. Nicolaysen, Trustee For The KGN Mineral Trust Dated September 9, 1998 (Phyllis Davidge Knapp)	Converse	100%
Jon C. Nicolaysen, Trustee For The KGN Mineral Trust Dated September 9, 1998 (Ronald Holm Davidge)	Converse	100%
Jon C. Nicolaysen, Trustee For The KGN Mineral Trust Dated September 9, 1998 (Susan Beauchamp Davidge)	Converse	100%
Jon C. Nicolaysen, Trustee For The KGN Mineral Trust Dated September 9, 1998 (Thomas Crary Davidge Iii)	Converse	100%
Jon C. Nicolaysen, Trustee For The KGN Mineral Trust Dated September 9, 1998 (William Henry Davidge)	Converse	100%
Jon C. Nicolayson, Trustee For The KGN Mineral Trust Dated 9-9-98	Converse	100%
KGN Mineral Trust	Converse	100%
KGN Mineral Trust (Chandler Y Keller)	Converse	100%
KGN Mineral Trust (Debra Cecile Yerkes Brambley)	Converse	100%
KGN Mineral Trust (George H Anderson)	Converse	100%
KGN Mineral Trust (Jean K Carros)	Converse	100%
KGN Mineral Trust (Mary Louise Mcgregor)	Converse	100%
KGN Mineral Trust (Mary Shifflet Yerkes)	Converse	100%
KGN Mineral Trust (Richard Burch Eyre)	Converse	100%
KGN Mineral Trust (Robert G Stoughton Marlowe)	Converse	100%
KGN Mineral Trust (Suzanne Stoughton)	Converse	100%
KGN Mineral Trust (Winifred Crary Valens Trust)	Converse	100%
Leslie Gay Bolln	Converse	92%
Marie K Swoboda	Converse	78%
Mary Elizabeth Sulgrove	Converse	78%
Miner D Crary Jr	Converse	100%
Minnie O Moffett	Converse	98%
Hugo Howe And Joe Tvaruzek	Converse	77%
Northwest Oil Co	Converse	100%
Pamela Dugan	Converse	100%
Pioneer Townsite Co - Refinery	Converse	78%
R R Gardner, Administrator	Converse	78%
S M Anderson Et Al	Converse	100%
St WY 0-1822	Converse	100%
St WY 0-23543	Converse	100%
St WY 0-2900 Track 5	Converse	100%
St WY 0-3459	Converse	98%

	Location	Percentage Interest
St WY 04-00241	Converse	100%
St WY 0-4063	Converse	98%
St WY 0-4329	Converse	98%
St WY 0-4392	Converse	98%
St WY 0-4393	Converse	98%
St WY 0-4592 Track 4-J	Converse	100%
St WY 05-00269	Converse	100%
St WY 05-00270	Converse	100%
St WY 06-00465	Converse	100%
St WY 0-6048	Converse	98%
St WY 0-6049	Converse	98%
St WY 0-6050	Converse	98%
St WY 0-6051	Converse	98%
St WY 0-6052	Converse	98%
St WY 0-6117	Converse	98%
St WY 0-6876	Converse	98%
St WY 0-7787	Converse	95%
St WY 0-7790	Converse	98%
St WY 0-7791	Converse	98%
St WY 0-9125	Converse	98%
St WY 0-9299	Converse	98%
Stephen R Crary Marital Trust	Converse	100%
Susannae B Brubaker	Converse	92%
Susannae B Brubaker	Converse	100%
Susannae B Brubaker	Converse	100%
Ted Stewart, Et Al	Converse	56%
V R Ranch, A Wyoming Corp	Converse	100%
W-0249	Converse	100%
Westport Oil & Gas Company LP	Converse	100%
Westport Oil & Gas Company LP	Converse	92%
Westport Oil & Gas Company LP	Converse	100%
William E Barber	Converse	75%
WYM-070469	Converse	98%
WYM-000610	Converse	100%
WYM-002217	Converse	100%
WYM-003035	Converse	100%
WyYM-077076	Converse	100%
WyYM077337	Converse	100%
WYM-077843	Converse	100%
WYM-161771	Converse	100%
WYM-164393	Converse	100%
WYM-164394	Converse	100%
WYM-164691	Converse	100%
WYM-172991	Converse	100%
WYM-178088	Converse	100%
WYM-178089	Converse	100%
WYM-172989	Natrona	100%
WYM-173001	Natrona	100%

TEXAS OIL & GAS LEASES

	Location	Percentage Interest
State of TX Lease-74324	State Tract 126, Atkinson Island Field Chambers County, TX	100%
State of TX Lease -M108139	State Tract 126, Atkinson Island Field Chambers County, TX	100%
State of TX Lease -M108140	State Tract 127, Atkinson Island Field Chambers County, TX	100%
J.R. Barber, et al	E.W. Barber "D" (Samson), "Barbers Hill Field, Chambers County, TX	100%
Arthur E. Barber, et ux	A.E. Barber, Barbers Hill Field, Chambers County, TX	100%
L.E. Fitzerald Unit	Barbers Hill Field, Chambers County, TX	100%
Mary O. Scott, et vir	L.E. Fitzgerald Unit, Barbers Hill Field, Chambers County, TX	100%
Sarah E. Morgan, et vir et al	L.E. Fitzgerald Unit, Barbers Hill Field, Chambers County, TX	100%
Alma A. Eberspacher, et al	L.E. Fitzgerald Unit, Barbers Hill Field, Chambers County, TX	100%
Anna Davis and A. C. Davis	L.E. Fitzgerald Unit, Barbers Hill Field, Chambers County, TX	100%
F.M. Fitzgerald, et al	L.E. Fitzgerald Unit, Barbers Hill Field, Chambers County, TX	100%
T.C. Fitzgerald and Wife	L.E. Fitzgerald Unit, Barbers Hill Field, Chambers County, TX	100%
Conoco Inc.	Kirby "A", Barbers Hill Field, Chambers County, TX	100%
Kirby Petroleum Company, et al	Kirby "B", Barbers Hill Field, Chambers County, TX	100%
John Shearer	Kirby "C", Barbers Hill Field, Chambers County, TX	100%
Kirby Petroleum Company	Kirby Petroleum Company (Samson), Barbers Hill Field, Chambers County, TX	100%
O. K. Winfree, et ux	O. K. Winfree, et ux, Barbers Hill Field, Chambers County	100%
Elmer H. Fisher, et ux	Gulf Fee "C" 64, Barbers Hill Field, Chambers County, TX	100%
H.E. Fisher	Gulf Fee Fisher, Barbers Hill Field, Chambers County, TX	100%
Gulf Production Company	Gulf Fee Fisher, Barbers Hill Field, Chambers County, TX	100%
John Shearer	Kirby Petroleum Company 15 acres, Barbers Hill Field, Chambers County, TX	100%
George W. Collier	Kirby Petroleum Company 15 acres, Barbers Hill Field, Chambers County,TX	100%
Kirby Petroleum Company	Kirby Petroleum Company 15 acres, Barbers Hill Field, Chambers County, TX	100%
Jerry Wilburn, et ux., et al	J. Wilburn, Barbers Hill Field, Chambers County, TX	100%
Jerry Wilburn, et al.,	J. F. Wilburn "B", Barbers Hill Field, Chambers County, TX	100%
Mrs. Amanda Mckinney, Guardian	J. F. Wilburn "B", Barbers Hill Field, Chambers County, TX	100%
J.F Wilburn, et al	Wilburn "C" #9 and #10, Barbers Hill Field, Chambers County, TX	100%
J.F Wilburn, et al	Wilburn "D", Barbers Hill Field, Chambers County, TX	100%
J.F Wilburn, et al	Wilburn "E", Barbers Hill Field, Chambers County, TX	100%
Lillian Wilburn, et al	Wilburn, J. "A", Barbers Hill Field, Chambers County, TX	100%
W. Howard Lee, et al	Wilburn, J. "A", Barbers Hill Field, Chambers County, TX	100%
Z.T. Wilburn Fee	Barbers Hill Field, Chambers County, TX	100%
Annie Higgins, et al	Higgins, Barbers Hill Field, Chambers County, TX	100%
Annie Higgins and Patillo Higgins	Higgins -B-, Barbers Hill Field, Chambers County, TX	100%
Chambers County Agricultural Company	Chambers County Agricultural Company, Barbers Hill Field, Chambers County, TX	100%
Chambers County Agricultural Company	Chambers County Agricultural Company, Barbers Hill Field, Chambers County, TX	100%
Estate of Zadie Fisher, NCM	Zadie Fisher, Barbers Hill Field, Chambers County, TX	100%
J. H. Smith, et ux	Smith, J. H., Barbers Hill Field, Chambers County, TX	100%
Otis K. Winfree, et ux	Winfree, O.K., Barbers Hill Field, Chambers County, TX	100%
Frank M. Fitzgerald, et al	Fitzgerald, J. M. ("A"), Barbers Hill Field, Chambers County, TX	93.75%

	Location	Percentage Interest
Harry J. Traverso, Jr., et al.	Jones, Lyle, Barbers Hill Field, Chambers County, TX	100%
Glenda Del Brown	Lula Barber, Barbers Hill Field, Chambers County, TX	100%
William Z. Woodward	Woodward, Barbers Hill Field, Chambers County, TX	100%
Edwin W. Lammon, et al	Winfree, E.H., Barbers Hill Field, Chambers County, TX	100%
Gulf Oil Corporation	Gulf Fee Monongahela, Barbers Hill Field, Chambers County, TX	100%
Ada Lee Phillips Wamble	H.L. Phillips Fee, Barbers Hill Field, Chambers County, TX	100%
State of TX Lease #19819	State Tract 118, Cedar Point Field, Chambers County, TX	100%
State of TX Lease #M-101737	State Tract 119, Cedar Point Field, Chambers County, TX	100%
State of TX Lease #M-102867	State Tract 128, Cedar Point, S. Field, Chambers County, TX	100%
State of TX Lease #M-106328	State Tract 128-Marlin, Cedar Point, S. Field, Chambers County, TX	90%
David Glenn Barber and wife, Karen Barber	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	100%
Big Sky Mineral Trust	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	87.50%
Raymond E. Brizendine	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	87.50%
James M. Brown II	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	87.50%
Bevis Jerome Minter	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	87.50%
William Michael Minter and wife, Margie Minter	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	87.50%
Cheri Barber Orchin	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	87.50%
S & C Properties	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	87.50%
Southwest Petroleum Company L.P.	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	87.50%
Frank D. Schubert	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	87.50%
Nancy Barber Welwood	Lot 3A, Strip Leases, Barbers Hill Field, Chambers County, TX	87.50%
Delores P. Direzza	Lot 5A, Strip Leases, Barbers Hill Field, Chambers County, TX	93.75%
Edward C. Kerley	Lot 5A, Strip Leases, Barbers Hill Field, Chambers County, TX	93.75%
Patty Lou Kyffin	Lot 5A, Strip Leases, Barbers Hill Field, Chambers County, TX	93.75%
Eddie Clyde Bell	Lot 5A, Strip Leases, Barbers Hill Field, Chambers County, TX	93.75%
James Lee McLean	Lot 5A, Strip Leases, Barbers Hill Field, Chambers County, TX	93.75%
Pamela S. Pilkington	Lot 5A, Strip Leases, Barbers Hill Field, Chambers County, TX	93.75%
Stephen M. Wright	Lot 5A, Strip Leases, Barbers Hill Field, Chambers County, TX	93.75%
Thomas F. Wright	Lot 5A, Strip Leases, Barbers Hill Field, Chambers County, TX	93.75%
The Robert A. Welch Foundation	Hoskins Mound Field, Brazoria County, TX	100%
The State of Texas - Lease No. M-71950	State Tract 216, Grass Island Field, Calhoun County, TX	100%
The State of Texas - Lease No. M-97186	State Tract 210, Grass Island Field, Calhoun County, TX	100%
The State of Texas - Lease No. M-99176	State Tract 224, Grass Island Field, Calhoun County, TX	100%
Edwin Tabb Harrell, et al	Harrell "C", Goose Creek Field, Harris County, TX	100%
Mary A. Koehi, Executor	Rena Berry Fee, Goose Creek Field, Harris County, TX	100%
Edwin Harrell	Tabb "A" Lease / Tabb "B" Lease / W. Tabb "A", Goose Creek Field, Harris County, TX	100%
C. Tabb Harrell, et ux	Tabb "A" Lease / Tabb "B" Lease / W. Tabb "A", Goose Creek Field, Harris County, TX	100%
W. H. Stark	Port Neches Field, Orange County, TX	100%
James V. Polk, et al	Port Neches Field, Orange County, TX	100%
James V. Polk, et al	Port Neches Field, Orange County, TX	100%
Henry J. Kuhn, et al	Port Neches Field, Orange County, TX	100%
Louis Armelin, et ux	Armelin, L. Fee, Hull Field, Liberty County, TX	100%
Jacob C. Baldwin	Baldwin, J.C. Fee, Hull Field, Liberty County, TX	100%
E.K. Failor	Failor, E.K. Fee, Hull Field, Liberty County, TX	100%
David Hannah, et ux	Hannah, D., Hull Field, Liberty County, TX	100%

	Location	Percentage Interest
David Hannah	Hannah, D. Fee, Hull Field, Liberty County, TX	100%
Joseph Hodnett	Partlow-Hodnett, Hull Field, Liberty County, TX	100%
Marie Howell Cade	High Island Field, Galveston County, TX	100%
Beverly Hodges Davis	High Island Field, Galveston County, TX	100%
Roy Hamilton Davis, Indv. & AIF	High Island Field, Galveston County, TX	100%
Frances Henshaw Gill	High Island Field, Galveston County, TX	100%
Ashbel Burnham Henshaw	High Island Field, Galveston County, TX	100%
Linda Jean L. Henshaw, etal	High Island Field, Galveston County, TX	100%
Thomas R. Howell, Indv. & Trustee	High Island Field, Galveston County, TX	100%
Mary Henshaw Jernigan	High Island Field, Galveston County, TX	100%
James Odom & Folly Family LLC	High Island Field, Galveston County, TX	100%
Barbara Henshaw Roberts	High Island Field, Galveston County, TX	100%
Linda Henshaw Weeks	High Island Field, Galveston County, TX	100%
Amoco Production Company	High Island Field, Galveston County, TX	100%
Blair Lea Ellis	High Island Field, Galveston County, TX	100%
D. Caffery McCay, etal	High Island Field, Galveston County, TX	100%
Maryann Ellis Bohr	High Island Field, Galveston County, TX	100%
Lloyd Addison Ellis, III	High Island Field, Galveston County, TX	100%
Charles Barker	High Island Field, Galveston County, TX	100%
Robert Barker	High Island Field, Galveston County, TX	100%
Melanie Wiggins	High Island Field, Galveston County, TX	100%
T.C. Craighead & Company	High Island Field, Galveston County, TX	100%
David Speer	High Island Field, Galveston County, TX	100%
Charles Barker Trust	High Island Field, Galveston County, TX	100%
Melanie Wiggins Trust	High Island Field, Galveston County, TX	100%
Betty Taylor Trust	High Island Field, Galveston County, TX	100%
Margaret Carter Trust	High Island Field, Galveston County, TX	100%
David Speer Trust	High Island Field, Galveston County, TX	100%
Katherine Taylor Miller	High Island Field, Galveston County, TX	100%
Ruth McLean Bowers	High Island Field, Galveston County, TX	100%
Marie Howell Cade	High Island Field, Galveston County, TX	100%
Beverly Hodges Davis	High Island Field, Galveston County, TX	100%
Roy Hamilton Davis, Indv. & AIF	High Island Field, Galveston County, TX	100%
Frances Henshaw Gill	High Island Field, Galveston County, TX	100%
Ashbel Burnham Henshaw	High Island Field, Galveston County, TX	100%
Linda Jean L. Henshaw, etal	High Island Field, Galveston County, TX	100%
Thomas R. Howell, Indv. & Trustee	High Island Field, Galveston County, TX	100%
Mary Henshaw Jernigan	High Island Field, Galveston County, TX	100%
James Odom & Folly Family LLC	High Island Field, Galveston County, TX	100%
Barbara Henshaw Roberts	High Island Field, Galveston County, TX	100%
Linda Henshaw Weeks	High Island Field, Galveston County, TX	100%
D. Caffery McCay, etal	High Island Field, Galveston County, TX	100%
Maryann Ellis Bohr	High Island Field, Galveston County, TX	100%
Blair Lea Ellis	High Island Field, Galveston County, TX	100%
Lloyd Addison Ellis, III	High Island Field, Galveston County, TX	100%
Marion Caffery Campbell, Trustee	High Island Field, Galveston County, TX	100%
Charles Barker	High Island Field, Galveston County, TX	100%
Robert Barker	High Island Field, Galveston County, TX	100%
T.C. Craighead & Company	High Island Field, Galveston County, TX	100%

	Location	Percentage Interest
Katherine C. Holt Trust	High Island Field, Galveston County, TX	100%
David T. Speer	High Island Field, Galveston County, TX	100%
Betty Speer Taylor	High Island Field, Galveston County, TX	100%
Ruth Mclean Bowers	High Island Field, Galveston County, TX	100%
BP America Production Co.	High Island Field, Galveston County, TX	100%
Ruth McLean Bowers	High Island Field, Galveston County, TX	100%
Barbara Gordon McNeill & Melinda Gordon Paret	High Island Field, Galveston County, TX	100%
George E Smith	High Island Field, Galveston County, TX	100%
George E Smith	High Island Field, Galveston County, TX	100%
Verna Hooks McLean & Ruth McLean Bowman	High Island Field, Galveston County, TX	100%
Nellie B. League et al	High Island Field, Galveston County, TX	100%
Virginia B. Ball Estate by American National Trust & Robert B. Ball	High Island Field, Galveston County, TX	100%
Wells Stewart	High Island Field, Galveston County, TX	100%
Stewart Mineral Company	High Island Field, Galveston County, TX	100%
Robert George Bisbey, Trustee	High Island Field, Galveston County, TX	100%
Charlotte E. Smith	High Island Field, Galveston County, TX	100%
Elizabeth Ker Cade, et al	High Island Field, Galveston County, TX	100%
BP America Production Company	High Island Field, Galveston County, TX	100%
Gulf and Interstate Railway Company of Texas	High Island Field, Galveston County, TX	100%
The Estate Of Shearn Moody, Jr.	West Teichman and Aquarium Fields, Galveston County, TX	95%
Robert L. Moody	West Teichman and Aquarium Fields, Galveston County, TX	95%
Robert L. Moody	West Teichman and Aquarium Fields, Galveston County, TX	95%
Casey Stehling Independent Executor of the Estate of Edward Jakovich	West Teichman and Aquarium Fields, Galveston County, TX	100%
Donna Cameron Goode	West Teichman and Aquarium Fields, Galveston County, TX	100%
Linda Jakovich Meyer Independent Executor of the Estate of Andrew Jakovich	West Teichman and Aquarium Fields, Galveston County, TX	100%
DJS Land Company, Ltd	West Teichman and Aquarium Fields, Galveston County, TX	100%
Carol Ann Burns	West Teichman and Aquarium Fields, Galveston County, TX	100%

LOUISIANA OIL & GAS LEASES

	Location	Percentage Interest
Bonne Terre Exploration Company, L.L.C.	Black Bayou Field, Cameron Parish, Louisiana	100%
Constantine Land Trust	Leeville Field, Lafourche Parish, Louisiana	100%

GLOSSARY OF TERMS

ACRONYM	DEFINITION
ASIC	Australian Securities and Investments Commission
ASTM	American Society for Testing and Materials
ASX	Australian Securities Exchange
BOPD/BPD	Barrels of Oil Per Day/Barrels Per Day
DEHP	Department of Environment and Heritage Protection (Queensland, Australia)
EIS	Environmental Impact Statement
EL/ELA	Exploration Licence / Exploration Licence Application
EOR	Enhanced Oil Recovery
EPC/EPCA	Exploration Permit Coal / Exploration Permit Coal Application
FEED	Front End Engineering Design
FT	Fischer-Tropsch
GTL	Gas to Liquids
IAS	Initial Activity Statement
IPO	Initial Public Offering
JORC	Joint Ore Reserves Committee
JV	Joint Venture
MDL	Mineral Development Licence
MLA	Mining Lease Application
MoU	Memorandum of Understanding
Mtpa	Million tonnes per annum
OOIP	Original Oil in Place
OSHA	Occupational Safety and Health Administration (USA)
OTCQX	USA Securities Exchange
PFS	Prefeasibility Study
PLa	Petroleum Lease Application
PQ	PQ is a technical term indicating the size of mineral borehole with a larger wireline core, generating large samples for testing.
Pre-FEED	Preliminary front end engineering design
SEWPAC	Department of Sustainability, Environment, Water, Population and Communities (Australia)
SIA	Social Impact Statement
SKM	Engineering consultancy Sinclair Knight Mertz
TOR	Terms of Reference
UCG	Underground Coal Gasification
WDEQ	Wyoming Department of Environmental Quality (USA)

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