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FIRST QUARTER ACTIVITIES REPORT

1 July 2008 to 30 September 2008

Exploration Activities

This activity statement provides a 1st Quarter update for ASX investors of key Exploration initiatives which have been the focus of Linc Energy.

Details

Summary

The first quarter to September was outstanding for Drilling & Exploration (D&E) in every facet of operations. The drilling crews in Chinchilla, Pentland, South Australia and Emerald broke the company record set in last Quarter 2007-8 with a new benchmark of 17593 metres for the Quarter, an outstanding result.

These drilling results consisted of 31 chip and 42 cored holes and were completed in a safe and professional manner by all contractors and were incident free. The results have and will continue to contribute significantly to Linc Energy's JORC compliant resources this year.

Chinchilla Update

Drilling continued with Mitchells and Coghlan Drilling for the entire Quarter. A total of 9866.4 metres were drilled comprising 18 chip and 21 cored holes.

The priority for Quarter was to have the entire MLA area under JORC compliant resource. A JORC compliant statement to ASX with a significant upgrading of Measured, Indicated and Inferred resources from the current announced 401 million tonnes to 600 million tonnes was announced to market 9th September.

The main thrust of exploration in Chinchilla has achieved its primary goal to provide a JORC resource over the MLA area, upgrade existing tonnes and provide resource coverage over the bulk of EPC635, 899, 1046 and test coal resources along the Dalby Kogan Rd along EPC898.

Dalby Start Up

The timeline set by DME to obtain a JORC compliant resource over MDLa371 is June 2009. The exploration priority will now be to relocate and commence planning and operations into MDL south of the township.



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Emerald Update

Watsons Drilling continued drilling operations with the mobilisation of a second drill rig to site in September. This Quarter Linc Energy has completed 26 exploration holes comprising 10 rotary holes and 16 cored holes for a total of 6346.3 metres.

On 5th September Linc Energy Announced a Heads of Agreement with Xinwen for the Sale of EPC980 and 1226 for 1.5 billion dollars. In support of this agreement and associated due diligence, all data was obtained from Emerald base and compiled into "Report on Preliminary Exploration Results EPC980 "Teresa". The report concluded that based on information from 17 drill holes 8 cored and 9 rotary holes that six key target seams exist of commercial interest over a 12 kilometre strike and 4.5km width. A preliminary wireframe model completed in house has the current resource at 487,168,689 tonnes of which 152,800,000 has metallurgical potential as coking export product.

Preliminary results are very encouraging with an initial indication towards a significant minable resource being identified. Further drilling, coal quality sampling and resource definition modelling will further define the quantity and quality of the resource.



Coal Core from Emerald EPC980



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SAPEX JV Arckaringa Basin Update

Tom Browne Drilling Services commenced drilling on 25th September replacing Underdale Drilling. Drew Breen is site project geologist reports they are organised and drilling well with 280m rotary hole completed in two days. Every effort will be made to get this project back on track. The completion schedule is for November with JORC statement by end of year.

Pentland

The Linc rig was mobilised to MDL361, currently under application, Pentland on 5th August and commenced drilling 11th August following site clearances by the Gudjal People, landowner approval and site preparation. A total of five cored holes and 2 rotary holes have been completed totalling approximately 1100m.

JORC Resource Estimate Update

Xenith Consulting Pty Ltd have upgraded Chinchilla from 401 million tonnes to 600 million tonnes. The final four holes are due for completion in Chinchilla first week October where a final upgrade for 2008 will complete project.

A Pentland JORC announcement is due first week in October. Preliminary estimates are around 300 million tonnes of export thermal coal.

Safety

It is pleasing to announce that all drilling activities this reporting period have been incident free with no D&E lost time injuries (LTI) reported this Quarter.

Tenement Management

Linc Energy Limited currently holds 14 granted (with a further 12 under application) tenements under Exploration Permits for Coal (EPC's), 3 Mineral Development Licence (MDL's) under application, 1 MDL granted and 3 Mining Lease Applications. The EPC's and those under application combine to contain a total of 3052 sub-blocks covering an area of approximately 10,377 square kilometres, (Table 1).

Reports submitted to the Department Mines and Energy during 1st Quarter:

- Annual Report and Expenditure Statement EPC938
- Annual Report and Expenditure Statement EPC897
- Annual Report and Expenditure Statement EPC898
- Annual Report and Expenditure Statement EPC899
- JORC statement to support MDL 361 application



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Tenements Granted

- EPC1226 Teresa (Emerald)

New Applications

- Moratorium Blocks on EPC909 & 938
- EPC1536 (Cloncurry Hughenden)
- EPC1537 (Cloncurry Hughenden)
- EPC1525
- EPC1527
- EPC1549 (Saxby)
- EPC1550 (Lily Pond)

Table 1 Linc Energy Tenements as 1st Quarter 2008-9

Lease	Location	Sub-blocks	Area (km ²)
Chinchilla EPC 635/MDL309/MLA (3)	15km S of Chinchilla - Surat Basin	32	109
Tipton EPC 704/MDL371	30km SW of Dalby - Surat Basin	111	377
Tipton 2 EPC 902	30km S of Dalby - Surat Basin	71	241
Tipton 3 EPC 938	60km SW of Dalby - Surat Basin	64	218
Wilkie 1 EPC 897	40km SE of Chinchilla - Surat Basin	50	170
Wilkie 2 EPC 898	30km SE of Chinchilla - Surat Basin	78	265
Wilkie 3 EPC 899	20km NW of Dalby - Surat Basin	74	252
Teresa EPC 980	20km NW of Emerald - SW Bowen Basin	47	160
Teresa EPC 1226	20km NW of Emerald - SW Bowen Basin	58	197
Wowam EPC 908	40km N of Biloela - Callide Basin	192	653
Jambin EPC 909	25km N of Biloela - Callide Basin	185	629
Rathdowney EPC 910	40km S of Ipswich - Moreton Basin	102	347
Chinchilla West EPC1046	20km S of Chinchilla - Surat Basin	32	109
Galilee EPC 854/MDL372	120km NW of Clermont - Galilee Basin	82	279
Biloela EPC 1248	40km N of Biloela - Callide Basin	112	381
Pentland EPC 526/MDL 361	220km SW of Townsville - Galilee Basin	12	41
Galilee North EPC 1228 App	120km NW of Clermont - Galilee Basin	299	1017
Galilee South EPC 1227 App	120km NW of Clermont - Galilee Basin	148	503



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Chinchilla EPC 1247 App	15km S of Chinchilla - Surat Basin	8	27
Wowan West EPC 1323	10km NW of Wowan Callide Basin	48	163
Teresa North EPC 1267 App	25km NW of Alpha	10	34
Dingo EPC 1536 App	25km NW of Biloela – Callide Basin	46	156
Dunmore EPC 1537 App	60km SW of Dalby – Surat Basin	36	122
Cloncurry North EPC 1525 App	120km NW of Hughenden – Eromanga Basin	150	510
Cloncurry South EPC 1526 App	85km NW of Hughenden – Eromanga Basin	243	826
Cloncurry Central EPC 1527 App	100km NW of Hughenden – Eromanga Basin	162	551
Saxby EPC 1549 App	250km NE of Cloncurry – Eromanga Basin	300	1020
Lily Pond EPC 1550 App	130km NE of Cloncurry – Eromanga Basin	300	1020
TOTAL		3052	10,377

: 1 sub-block = approximately 3.4 square kilometers

Exploration & Drilling Goal next Quarter

- Target Zero workplace incidents
- Promote safe working environment for all staff and contractors
- Continue with supplying data for due diligence HOA Xinwen for Emerald sale
- JORC compliant resource statement upgrade for Dalby
- Continue to explore Arkaringa Basin in SA
- Commence Galilee MDLa372 project
- Commence Biloela exploration planning



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Finance Activities

The company ended the quarter with \$66.2M in cash reserves. In early July 2008, the company received \$100.0M following a share placement of 27 million fully paid ordinary shares to institutional and sophisticated investors.

During the quarter the company spent \$2.0M on exploration activities and \$13.8M on the continued development of its UCG and GTL demonstration plant at Chinchilla. In addition, \$16.2M of cash funds were utilised in the continued acquisition of the company's interest in SAPEX Limited.

Total loan facilities amount to \$5.0M and consist of a commercial advance facility \$1.8M, equipment finance loan facility \$3.0M and a credit card facility \$0.2M.

In addition to the existing loan facilities a separate \$1.0M multi option facility is in place for providing Letters of Credit and Bank Guarantees to assist in the purchase of plant and equipment from Australia and overseas.

A \$10.0M Equity Line Of Credit is in place which enables draw downs of \$0.4M per month if required. This is currently unused.

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