

OIL & GAS DIVISION

ASX Code: LNC
OTCQX Code: LNCGY

17 October 2013

OIL AND GAS DIVISION RESULTS FOR 2013 FISCAL YEAR

- For the year ended 30 June 2013, daily sales averaged 4,252 gross (3,170 net) BOEPD (>99% oil)
- The average sales price for the year was \$104.95 per BOE
- Annual adjusted EBITDAX was \$76.7 million

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

LER is the parent entity of the Company's Oil and Gas Group headquartered in Houston, Texas. As previously announced, on 12 October 2012, the Company, through its wholly-owned subsidiaries, issued \$265 million of senior secured notes (Notes) bearing interest at 12.5% per annum due 31 October 2017. The Company is required under the terms of these Notes to report periodically on production and financial results of LER. All results quoted are based in US dollars.

Oil and Gas Revenues

For FY2013, total revenues were \$121.4 million, compared to \$56.9 million for the year ended June 30, 2012. During 2013, the Company sold 1,154,226 net Bbls of oil and 17,557 net Mcf of natural gas compared to 573,241 net Bbls of oil and 44,115 net Mcf of natural gas for 2012. The average sales price for the year ended June 30, 2013 was \$105.18 per Bbl of oil and \$2.33 per Mcf of natural gas, amounting to an average sales price for the year of \$104.95 per BOE, versus the average sales price of \$98.99 per Bbl of oil, \$2.98 per Mcf of natural gas, and \$97.97 per BOE.

Operating Expenses

For FY2013, cash operating expenses were \$42.4 million (\$29.0 million plus G&A), including, lease operating expense of \$15.9 million (\$13.77 per BOE), re-engineering and workover expense of \$6.0 million (\$5.22 per BOE), production taxes of \$5.9 million (\$5.09 per BOE), and ad valorem taxes of \$1.2 million (\$1.00 per BOE). General and administrative expenses were \$13.37 million (\$11.55 per BOE).

Recent Developments**Gulf Coast**

In FY2013, LER drilled 33 wells and completed 28 of them. 28 of the 33 drilled wells were in the Company's Barbers Hill field, three were in the Hoskins Mound field and two were in Cedar Point. Five of the wells drilled in Barbers Hill were uneconomic and have been temporarily abandoned for future sidetrack opportunities. LER also successfully recompleted 34 existing wells during the year with 29 of these wells in Barbers Hill field, three in Black Bayou field and two in Hoskins Mound field.

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Linc Energy has undertaken an extensive seismic reprocessing program over the salt domes at Cedar Point, Barbers Hill, Port Neches and Black Bayou fields this year. The result is an enhanced ability to image salt-related structures and to identify deep sub-salt potential. Most major conventional (non-shale) US offshore oil discoveries in the past 10 years have been sub-salt in nature. This gives Linc Energy an opportunity to develop its salt-related acreage to capture the on-shore extension of this prolific sub-salt play.

3D seismic reprocessing

Linc Energy commissioned a strategic reprocessing program on its 3D seismic data. The Company's team of geoscientists continues to interpret this data and has augmented its exploitation program with a balanced risk/reward portfolio of prospects in Cedar Point, Port Neches, and Atkinson Island.

Cedar Point Drilling Program

As a result of its seismic reprocessing program, Linc Energy has commenced an exploitation program in its Cedar Point and Atkinson Island fields in Galveston Bay. This program should allow the Company to build a more stable production profile with lower decline rates for future revenue growth.

To date, Linc Energy has brought five Cedar Point wells online and two recompletions in that field. The Company is currently working to bring three additional Cedar Point wells online, as well as a recompletion. The Company will continue to provide market updates.

Reserve Valuation – Gulf Coast

Haas Petroleum Engineering Services, Inc. has estimated Proved (1P) reserves of 12.326 million barrels of oil (MMbo) and 3.025 billion cubic feet of natural gas (BCFG) with a 1P NPV10% of \$600.7 million. This equates to 12.83 million barrels of oil equivalent.*

Umiat

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

The drilling rig was stacked on the permanent gravel pad at Umiat for the summer. Drilling on the Umiat 23H horizontal well should commence in early January 2014 after construction of the drilling pad and infield ice roads. The well will be completed and production tested to confirm model-forecasted flow rates.

Reserve Valuation Increase – Umiat

As a result of changes in Alaska's Senate Bill 21 legislation, Ryder Scott Company, L.P. has estimated Proved and Probable (2P) reserves of 154.6 million barrels of oil equivalent with a 2P NPV10% of \$2.465 billion and Proved, Probable & Possible (3P) reserves of 194 MMbbls, with a 3P NPV10% of \$2.845 billion. This is a 65% increase in the 2P valuation from the previous report prepared by Ryder Scott on the Umiat oil field that had a 2P NPV10% of \$1.496 billion.**

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LINC ENERGY RESOURCES, INC
CONSOLIDATED BALANCE SHEETS
June 30, 2013 and 2012
(In thousands)

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 4,240	5,263
Restricted cash	2,756	2,555
Trade accounts receivable, less allowance for doubtful accounts of \$540 in 2013 and nil in 2012	11,542	10,234
Alaska tax credit receivable	29,471	-
Inventory	1,451	1,451
Prepaid expenses and other	782	664
Total current assets	50,242	20,167
Oil and gas properties, at cost (successful efforts method):		
Proved properties	407,131	310,542
Unproved properties	127,570	70,251
Less accumulated depletion and amortization	(48,829)	(11,029)
	485,872	369,764
Production facilities	21,450	17,879
Office and other equipment	3,756	3,325
Less accumulated depreciation	(3,351)	(1,342)
	21,855	19,862
Intangible assets, net	384	287
Deferred financing costs	11,436	-
Deferred tax asset	18,400	-
Due from parent	8,785	3,542
Other non-current assets	2,758	5,244
Total assets	\$ 599,732	418,866

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LINC ENERGY RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2013 and 2012
(In thousands)

Liabilities and Equity	2013	2012
Current liabilities:		
Accounts payable	\$ 37,130	11,186
Asset retirement obligation – current portion	5,619	1,319
Accrued expenses	4,322	2,418
Accrued capital expenses	18,250	8,510
Interest payable	5,758	163
Other payables	5,038	2,804
Deferred tax liability – current portion	18,655	-
Current taxes payable	-	84
Total current liabilities	<u>94,772</u>	<u>26,484</u>
Bonds payable, net of discount	256,470	-
Line of credit	35,000	130,000
Asset retirement obligation – non-current portion	30,676	20,497
Deferred tax liability – non-current portion	-	1,995
Other long-term liabilities	1,435	1,748
Total liabilities	<u>418,353</u>	<u>180,724</u>
Equity:		
Paid in capital	169,109	221,754
Retained earnings	2,391	6,468
Total Linc Energy Resources equity	<u>171,500</u>	<u>228,222</u>
Noncontrolling interest	9,879	9,920
Total equity	<u>181,379</u>	<u>238,142</u>
	<u>\$ 599,732</u>	<u>418,866</u>

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LINC ENERGY RESOURCES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
 (In thousands)

	2013	2012
Revenues:		
Oil and natural gas sales		
Oil	\$ 121,399	\$ 56,746
Natural gas	41	132
Total revenue	121,440	56,878
Operating expenses:		
Production:		
Lease operating expense	15,936	11,625
Re-engineering and workovers	6,040	4,073
Production taxes	5,895	2,649
Ad valorem taxes	1,160	880
General and administrative expense	13,366	8,076
Depletion, depreciation and amortization	30,356	12,090
Accretion expense	1,064	740
Dry hole expense	8,978	4,084
Impairment expense	9,573	-
Total operating expenses	92,368	44,217
Other expense:		
Interest expense, net	26,249	3,093
Amortization of debt issuance costs	3,774	395
Bad debt expense	540	-
Other, net	6	332
Net loss on derivative contracts	4,446	4,141
Total other expenses	35,015	7,961
(Loss)/income before income taxes	(5,943)	4,700
Income tax expense (benefit)	(1,825)	1,753
Net (loss)/income	(4,118)	2,947
Less: Net loss attributable to noncontrolling interest	(41)	(12)
Net (loss)/income attributable to Linc Energy Resources, Inc.	\$ (4,077)	\$ 2,959

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LINC ENERGY RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012
 (In thousands)

	2013	2012
Cash flows from operating activities:		
Net Income/(loss)	\$ (4,118)	\$ 2,959
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization, and accretion	30,356 [A1]	12,090
Accretion expense	1,064	740
Impairment of long-lived assets	9,573	-
Settlement of ARO liabilities	(1,586)	-
Dry hole expense	8,978	4,084
Amortization and write off of deferred financing fees	1,784	-
Unrealized loss on hedges	2,042	389
Changes in working capital:		
Increase in accounts receivable	(1,309)	(8,205)
Increase in prepaid assets and other	(8,901)	(4,666)
Decrease in due to/from affiliates (net)	(5,243)	(714)
Increase in accounts payable and accrued expense	29,024	7,591
Decrease in deferred tax liability	(1,825)	1,753
Net cash provided by operating activities	59,839	16,021
Cash flows from investing activities:		
Payments for inventory	-	(140)
Payments for intangible assets	(246)	-
Additions to property and equipment	(4,002)	(18,562)
Exploration expenditures capitalized	(160,240)	(17,828)
Additions of oil and gas properties	(3,061)	(299,886)
Net cash used in investing activities	(167,549)	(336,416)
Cash flows from financing activities:		
Repayment of debt	(135,000)	-
Proceeds from bank credit facility	40,000	130,000
Distribution to Parent	(69,509)	-
Change in restricted cash	(1,014)	7,445
Repayment of finance lease liabilities	(119)	(266)
Capital contributed by Parent	16,864	187,657
Proceeds from bond issuance	255,465	-
Net cash provided by financing activities	106,687	324,836
Net increase in cash and cash equivalents	(1,023)	4,441

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Cash and cash equivalents at beginning of period		5,263		822
Cash and cash equivalents at end of period	\$	4,240	\$	5,263
Supplementary information:				
Interest paid	\$	1,405	\$	2,622
Income taxes paid	\$	-	\$	-

The accompanying notes are an integral part of these consolidated financial statements.

How We Evaluate our Operations:

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

The following tables contain certain financial and operational data for the twelve months ended June 30, 2013:

Average daily sales (net):

Oil (BOPD)	3,162
Natural Gas (MCFPD)	48
Oil Equivalents (BOEPD)	3,170

Average sales price⁽¹⁾:

Oil (\$/BBL)	\$105.18
Natural Gas (\$/MCF)	\$2.33
Oil Equivalents (\$/BOE)	\$104.95

Costs and expenses:

Lease operating expense(\$/BOE)	\$13.77
Re-engineering and workover expense (\$/BOE)	\$5.22
Production taxes (\$/BOE)	\$5.09
Ad valorem taxes (\$/BOE)	\$1.00
General and administrative expense (\$/BOE)	\$11.55
Total (\$/BOE)	\$36.63

Reconciliation of Net Income to Adjusted EBITDAX⁽²⁾

\$ in thousands

Net income	(4,077)
Income taxes (benefit)	(1,825)
Interest expense	26,249
Amortization of debt issuance cost	3,774
Dry hole expense	8,978
Unrealized gain/loss on derivative contracts	2,042
Bad Debt expense	540
Accretion expense	1,064
Impairment expense	9,573
Depreciation, depletion, and amortization	30,356
Adjusted EBITDAX	76,674

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

*The reserve estimates used in this statement were compiled by Rodger L. Walker, Associate Director of Engineering, Haas Petroleum Engineering Services, Inc., who is qualified in accordance with ASX listing rule 5.11 and has consented to the form and context in which the reserve estimates appear.

**The reserve estimates used in this statement were compiled by the Ryder Scott Company, L.P. by Scott J. Wilson (Senior Vice President of Ryder Scott Company LP) who is qualified in accordance with ASX listing rule 5.11 and has consented to the form and context in which the reserve estimates appear.

Company Profile

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

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

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

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

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