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ASX ANNOUNCEMENT / MEDIA RELEASE

5 September 2008

SALE OF LINC ENERGY'S EMERALD "TERESA" COAL EXPLORATION PERMITS

- **Linc Energy (ASX : LNC) has entered a Heads of Agreement with Xinwen Mining Group Ltd of China ("Xinwen") for the sale of its Teresa coal exploration permits (EPC980 and EPC 1226) for AU$1.5 billion.**
- **The parties have agreed to negotiate the formal Sale and Purchase contract and complete due diligence enquiries over the next month.**
- **The proposed agreement will see the purchase price paid by Xinwen over 7 monthly tranches, commencing with a 1st payment of AU$150 million immediately after receipt of all necessary State and Federal government approvals.**
- **Update on Linc Energy's Chinchilla demonstration GTL facility.**
- **Linc Energy included in the latest Standard & Poors ASX 200 index.**

Linc Energy is please to announce the signing of a Heads of Agreement with the Xinwen Mining Group Ltd of China for the sale of its Emerald "Teresa" coal exploration permits (EPC980 and EPC1226) for an agreed purchase price of AU$1,500,000,000.

Both Linc Energy and Xinwen are now undertaking a 30 day due diligence period, during which time the formal Sale and Purchase Agreement will be finalised. The parties are aiming to execute the contract by 5 October 2008. The parties will immediately seek the necessary State and Federal government approvals for the transaction which are expected to take approximately 45 days.

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Immediately following receipt of government approvals, Xinwen has agreed to pay the 1st tranche of 10% of the purchase price, being AU$150,000,000. The balance of the purchase price will then be paid over 6 further monthly tranches, expected for completion in or about June 2009.

Xinwen Mining Group Ltd of China produce in excess of 35 million tonnes of coal per year and have over 30 billion tonnes of coal reserves. Xinwen also have interest in a number of Chinese steel mills.

Linc Energy's Managing Director, Mr. Peter Bond, said, "The sale of the Emerald tenements for $1.5 billion is truly a magnificent outcome and defining moment for the company. This deal effectively underwrites Linc Energy's GTL commercial aspirations over the coming years, taking the entire company to a new level of opportunity. The result is one which the Linc team and our shareholders can be truly proud of."

Linc Energy would also like to update the market on the significant progress of its Chinchilla GTL demonstration plant. Over the past week, Linc Energy's commissioning team have loaded the catalyst into the FT reactors. Once the catalyst has been properly reduced and the relevant auxiliary items, such as the gas compressor, have completed commissioning the GTL team will commence feeding gas into the FT reactors with the aim of making liquids shortly thereafter. Peter Bond said, "The significant steps made over the past few weeks in commissioning the GTL facility have been substantial. The next step is now to add gas and produce liquids. Once we're at a stage where we are feeding gas into the FT reactors, we are literally days from successfully producing liquids. The Chinchilla GTL: demo plant is really coming together very well and the accomplishments so far have been impressive."

Linc Energy also acknowledges its inclusion into the Standard & Poors ASX 200 index commencing 19 September 2008.

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For further information about the AU$1.5 billion transaction or the GTL facility update, please contact Peter Bond.

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Company Profile

Linc Energy is an innovative, forward thinking energy company and Australia's leader in clean coal technology. The company's vision is to become a dominant player in the supply of more environmentally friendly power, diesel and jet fuel.

Linc Energy aims to achieve this vision by bringing together, for the first time anywhere in the world, two proven production processes known as Underground Coal Gasification (UCG) clean coal technology and Gas to Liquids (GTL).

These processes will economically convert vast "stranded" coal deposits into ultra clean liquid fuels.

Linc Energy will also use the Syngas produced from UCG clean coal technology as feedstock for gas turbines to generate much needed environmentally friendly electricity.

The company has a unique leading edge capacity to provide a viable, more sustainable and smart alternative source of liquid fuels and power generation well into the foreseeable future.

Linc Energy represents a new future for liquid fuels production and power generation.