An extract from the June edition

As the mining industry and our politicians continue to debate the implementation of a Carbon Tax, we look at the prospects for two stocks involved in clean coal technology.

Linc Energy
Pausing

An Australian leader in clean coal technology, Linc Energy has successfully combined Underground Coal Gasification (UCG) and Gas to Liquids (GTL) for the potential to economically convert 'stranded' coal, from deep underground, into ultra-clean liquid fuels.

The company operates a Demonstration Facility (to prove that the combined technologies can produce cleaner power and fuels) at Chincilla Queensland under the Government Mineral Development Licence and has been active in the Surat Basin, near Chinchilla, for over 10 years with its UCG technology and its GTL operations since 2008.

Its other Australian project is situated in the Walloway Basin in South Australia with a coal exploration target of 1.0 to 1.3 billion tones. In the United States the company operates in the states of Alaska, Montana, North Dakota and Wyoming with coal lease holdings of over 296,000 acres.

The company has entered into a business cooperation contract with Vietnam National Coal and Mineral Industries Group (VINACOMIN) and Japan's Marubeni Corporation to undertake a trial UCG project in the Red River Delta region in Vietnam. On successful completion, a commercial UCG project could progress to provide power generation to over six million Vietnamese households.

From 2006 the share price has led a volatile path. Breaking from a small base in 2006 the price leapt higher through 2007 to reach a peak at $5.09 in September 2008 gaining 35 times from its low. In reaction to divergent momentum the price topped out and fell swiftly into decline, producing a spike low at 92c in March 2009.

A combination of support and a change in momentum boosted a recovery to $2.53 within a few months but the action proved unsustainable and the price fell back into a declining sideways action exhibiting increased volatility. The phase persisted throughout 2009 and 2010 with the price retesting the 90c area support between May and July 2010. Again the combination in this area supported a recovery and a strongly rising trend through the later part of 2010, slowing in December as the price reached towards $3.00.

The subsequent pullback to support around $2.50 severed the short-term uptrend and saw the price commence a trend at a much slower gradient with wider swings in price between support around $2.25 and resistance around $3.30. This situation may continue over the short term ahead of the price breaking higher through $3.30 towards $3.80-4.00 and potentially towards the peak and beyond.

A drop below $2.25 may produce a more serious delay to a resumption of the upward path.

Liberty Resources
Sideways base

Focused on the discovery and development of clean energy sources, primarily based on the extraction of Syngas and the production of hydrogen based products from underground coal, Liberty's strategy is to produce Urea in Queensland by utilising Underground Coal Gasification (UCG) technology for sale to the Asian markets (mainly China and India). The company's production of Urea, a nitrogen fertilizer, uses the UCG process, and combines significant environmental operating savings to provide a suitable syngas at a cost of less than half of the existing Urea producers using coal or natural gas in their manufacturing process.

Liberty owns deep coal tenements in the Surat and Galilee Basins in Queensland, and believe these areas are suitable for the production of Urea because of the coal thickness and their environmental and geopolitical positioning.

Between 2004 and 2006 the share price had a bottom line at 8c, but in mid 2007 this was penetrated, triggering a roller coaster decline to finally reach an effective turning point at 2.1c in early 2009. The price reacted quickly shooting up to 12.5c within three months to hit into resistance where it pulled back severely before taking another run higher to reach a peak and pinnacle for the price at 26.4c in September 2009.

Suffering from overspent momentum the price topped out and fell into another roller coaster decline to locate a higher benchmark of support and a turning point around 4c midway through last year. Expanding its reversal through the later part of 2010, the price broke away in January and surged higher to 16.5c but the combination of resistance in this area rebuffed the price back towards support around the old benchmark at 8c. Since then the price has pulsed sideways and we suggest that this action is likely to continue with parameters between 8c and 14c. As the phase progresses we believe it forms part of a much larger pattern which may well form a significant base for higher prices.

A break up through 14c would suggest a test of the final barrier around 19c. A confirmation break of this level would indicate a test of the peak levels with the potential towards 50c and possibly much higher. The danger to this scenario would be a drop beneath 7c.

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