

Analysis with Regina Meani

Our regular analyst tracks the progress of two companies focused on coal: Gujarat NRE Coking Coal Limited and Dart Energy Limited.

Gujarat NRE Coking Coal Limited



The company is a subsidiary of Gujarat NRE Coke Limited, the largest manufacturer of low ash metallurgical coke in India.

Located 14 kilometres from the Kembla Port Terminal in the Southern Coalfields of New South Wales, the NRE No. 1 Colliery covers 6421 hectares and has reserves of over 300 million tonnes of coking coal. Gujarat NRE is focused on the mining, processing and marketing of coal to deliver a world-class product.

Rising from around 50c in mid 2007 the price commenced a roller-coaster ride to peak at \$1.91 in June 2008, where it topped out suffering from momentum exhaustion to cascade down through the later half of 2008 to fall into a spike turning point at 23c in January 2009. It immediately sprung higher to almost triple, before the price settled back to form a more stable reversal, which was completed a few months later with the rise through 40c.

The rebooted momentum allowed the price to reach 75c in June 2009 where a combination of target and resistance stalled the advance. In reaction, the price sought support in the 50-60c area and commenced a sideways action, capped by the 75c barrier, which continued through 2010 until the price achieved 96c in January this year.

Again the combination of target and resistance halted the advance, triggering a significant pullback in prices. Dropping through the previous 50c support level has made the price more vulnerable and there is the probability that the price may need to drop towards the 35-40c support zone to locate a secure turning point creating a buying opportunity. To avoid this the price would need to react back quickly above 56c and hold the position ahead of an advance on the higher barrier at 58-62c and then more importantly at 75c.

Dart Energy Limited



Dart Energy Limited, following its demerger from Arrow Energy, re-entered the Australian coal bed methane industry through the acquisition of Apollo Gas, with a portfolio of seven CBM blocks and two geothermal licences in New South Wales. The company has a global footprint with interests in China, India, Indonesia, Vietnam, the UK and Europe. From

its portfolio of assets, some of the company's goals going forward are to commence gas sales by 2012 and to achieve net production of 70 PJ per annum by 2015.

Starting off from lows around 70c in mid 2010 the share price for Dart rose strongly to achieve \$1.36 by October, almost doubling in price. The steepness of the rise sapped momentum and a top formed. Increased volatility saw the price drop close to \$1 in December before breaking lower in March this year with the impact of an increasingly bearish trend, finding brief support around 80c before continuing to decline during April and May.

Spiking to a low at 65c on 17 May the price reached a combination of support from a parallel line drawn from the October peak and from a divergence in momentum. This suggests the potential to bounce, but for a rally to be successful the price would need to regain 73c and then tackle resistance in the 78-82c region. There may be the need for more churning around these levels as momentum is rebuilt.

Once clear the price would gain the ability to move higher towards 90c-\$1 and potentially beyond. The risk would be a drop below 60c reasserting the bearish influence. At this stage, such an action appears unlikely.