

=DJ UPDATE: Linc In Big Coal Find, Advances Gas-To-Liquids Plan

(Adds CEO comments on timing, JV partner interest)

By Ross Kelly
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SYDNEY (Dow Jones)--Linc Energy Ltd. (LNC.AU) is making progress in its quest to develop Australia's first commercial gas-to-liquids, or GTL, facility, saying Friday that it has made a coal discovery in South Australia state large enough to accommodate the entire project.

Linc intends to source gas by heating underground coal seams in a process known as underground coal gasification, or UCG, then use the gas to generate power and produce liquid fuels.

It said Friday that it has identified a coal mineralization target of between one billion and 1.3 billion metric tons near the town of Orroroo at property it picked up through its acquisition of SAPEX Ltd. last year.

GTL was placed squarely on the global energy sector map in February when Royal Dutch Shell PLC (RDSB.LN) said it will invest US\$18 billion in a plant in Qatar to transform natural gas into clean-burning synthetic diesel fuel.

Brisbane-based Linc last year proved that its GTL procedure worked at a small demonstration plant at Chinchilla in Queensland state.

But a dispute with Queensland's powerful coal seam gas producers on who should first develop overlapping coal properties prompted Linc to shift the location of a proposed commercial-sized GTL facility to South Australia.

The size of the Orroroo deposit, its coal seam thickness and flat topography has underpinned its selection as the location for "the western world's first" commercial UCG facility, Linc said.

Chief Executive Peter Bond told Dow Jones Newswires that the company wants to start building the facility late next year, with construction of the first-stage of a power generator to be completed about 12 months after late 2010, and construction of the GTL facility about 20 months after late 2010.

Bond said Linc's recent A\$54.7 million institutional share placement and subsequent share purchase plan, which only raised A\$7.7 million instead of a planned A\$20 million, have given the company enough cash to pursue its development plans for at least another year.

Still, he said talks with various parties over the sale of its non-core Queensland coal assets are continuing.

Bond also said that companies have approached Linc about becoming joint venture partners in its South Australian operations.

"We've got possible joint venture partners who want to do gasification, gas-to-liquids and power generation," he said.

Bond said the company's cash reserves mean it doesn't have a pressing need to bring in a partner.

"You don't want to take on a big name just for the sake of taking on a big name," Bond said. "They can often have opposing interests and slow down your project's development."

"You would want to be in a very strong position before you do it."

Linc said about a year ago that the resource at the separate Arckaringa Basin in South Australia, also picked up from SAPEX, could possibly support a UCG-to-GTL business that would include "several 100,000" barrel-a-day facilities.

Linc said Friday that 20,000 barrels per day of synthetic fuel produced at Orroroo could be supplied into the greater Adelaide and South Australian regional markets.

The Orroroo deposit could also support 500 megawatts of power generation, Linc said.

The company said it plans to drill another 30 wells at Orroroo and hopes to post a resource that is compliant with the Joint Ore Reserves Committee code in the second quarter of 2010.

Linc shares surged last year when the group announced it was selling coal tenements in Queensland state to China's Xinwen Mining Group for A\$1.5 billion, but that sale subsequently foundered.

Linc then entered exclusive talks with Yanzhou on a sale of the tenements, but these ended in June and the company hired UBS to run a formal sales process.

In mid-afternoon trade, Linc shares were up 12% at A\$1.58.

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