NEWS

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$5 MILLION GRANT OFFER TO PETRATHERM'S

HOT ROCK ENERGY PROJECT IN S.A.

The Federal Government has offered a grant of $5 million to help accelerate the development of South Australia's Paralana hot rock or geothermal energy project.

The grant offer, awarded to ASX-listed hot rock developer, Petratherm Limited, will cover most of the Company's financial obligations over the next crucial stage of the project.

The funds will be used in the further development of Petratherm's unique Heat Exchange Within Insulator (or HEWI model) which is regarded as the most innovative approach to date to extracting hot rock energy.

"The grant offer reflects the fact our HEWI model has been recognised by the Federal Government as a new technique that represents a creative departure from existing approaches," Petratherm's Managing Director, Mr Terry Kallis, said today.

"The Government has also noted that, if proven, the HEWI approach could become best practice and greatly accelerate the uptake of sustainable, large-scale, geothermal electricity generation," Mr Kallis said.

The grant offer made today is the maximum available under the Federal Government's Renewable Energy Development Initiative (REDI) and is also the largest allocation announced jointly by Federal Industry Minister, Mr Ian Macfarlane and Environment and Water Resources Minister, Mr Malcolm Turnbull.

For Petratherm, it is the second financial milestone for the project in as many months.

The Company last month announced a joint venture worth in stages up to $30 million with Beach Petroleum Limited in a commitment designed to take Paralana right through to the production by the end of 2009 of Australia's first large-scale commercial geothermal electricity supplies.

"The grant offer means the financial foundation for Paralana is highly robust," Mr Kallis said.

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"It ensures we have full focus on the technical and operational challenges ahead with a commercial horizon that is now near term rather than undefined."

Under the joint venture with Beach, that company has the right to contribute $10 million to the creation of the underground heat exchanger to earn a 21% equity stake in Paralana. The total cost of this stage of work is estimated at $20 million.

Following the successful completion of the underground heat exchanger, Beach has the option to increase its equity in the project by a further 15%, to a total of 36%, for an additional contribution of $20 million.

"We note the Government's observation today that there is potential for around 10% of Australia's total electricity consumption to realistically be provided by 2050 from geothermal energy," Mr Kallis said.

"Large-scale such plants have the potential to substantially reduce Australia's carbon dioxide emissions, while providing secure and reliable energy.

"With the impetus from today's grant, Paralana brings forward and improves the likely viability of geothermal projects across the country, but particularly in South Australia."

Paralana aims initially to provide base-load electricity to the local market – the growing needs of the Beverley Uranium Mine, from around 7.5 MW building to 30 MW – and then expanding to around 520 MW and supplying the National Electrcity Market, via two entry points, namely, Port Augusta and Olympic Dam.

HEWI model – How it works

The HEWI process will see an underground heat exchanger *(where one well is drilled into the target rock strata, the strata fractured to allow water to pass and heat up as it passes, and return via a second well to surface as super hot water/steam to be used in turbines)* established within insulating or hot sedimentary rock layers at 3-4 kilometres depth but above deeper, harder layers of hot granites at Paralana.

Conventional hot rock energy thinking has such heat exchangers located within the hot granites themselves – generally, a deeper and hence, higher risk, higher cost operation.

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