

# Beach Paves Way For Energy Diversity, Signs \$30 MM Deal With Geothermal Company

Beach Petroleum is one of the first major Australian oil companies to diversify into renewable energy sources following the announcement of a \$30 million joint venture with geothermal company Petratherm Limited to develop its Paralana hot rock energy project in South Australia.

Beach Managing Director, Reg Nelson, said the investment and partnership was a logical and strategic expansion for the company. "The farmin to the Paralana project is based upon Beach's view that future growth in the petroleum sector is likely to increasingly require a portfolio which includes both conventional and alternative energy projects", Nelson said.

Petratherm Managing Director, Terry Kallis, said the agreement significantly underpins the commercial development of the Paralana hot rock energy project 11 km from the Beverley uranium mine, and 130 km east of Leigh Creek.

"This could see Paralana producing Australia's first large-scale commercial geothermal electricity supplies by the end of 2009, with potential to expand to base load supply", Kallis said. Paralana is currently 100%-owned by Petratherm and has in its first two development stages already achieved one of the country's highest 'hot rock' temperature indicators.

He said stage three will involve two new wells close to the Paralana test well, thermal

resource definition, circulation tests and the establishment of an underground heat exchanger. Initial costs for stage three are around \$20 million. Under the terms of the farmin announced Beach will earn a 21% interest in the project by:

- Contributing \$5 million to the drilling to around 4 km depth, and the stimulation of, the first of the planned two new wells.

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Drilling is scheduled to commence in the second half of this year, subject to rig availability;

- Contributing a further \$5 million to the cost of drilling and stimulating the second well, followed by the creation of an underground heat exchanger by circulating water through rock fractures between the two wells to demonstrate a commercial 'hot rock' energy resource;
- Subject to the success of the heat exchanger stage, Beach can earn a further 15% for a total project interest of 36%, by contributing a further \$20 million. This would contribute to the cost of installing the initial surface-based electricity generation plant of 7.5 Megawatts capacity, at Paralana;

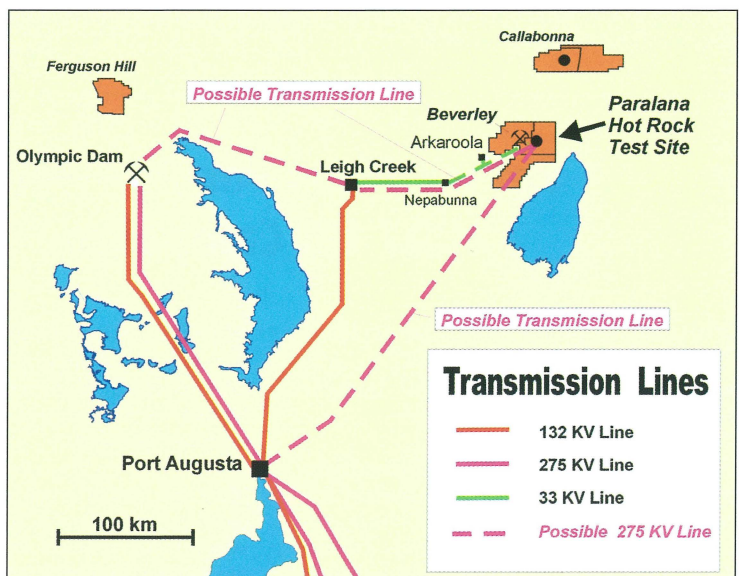
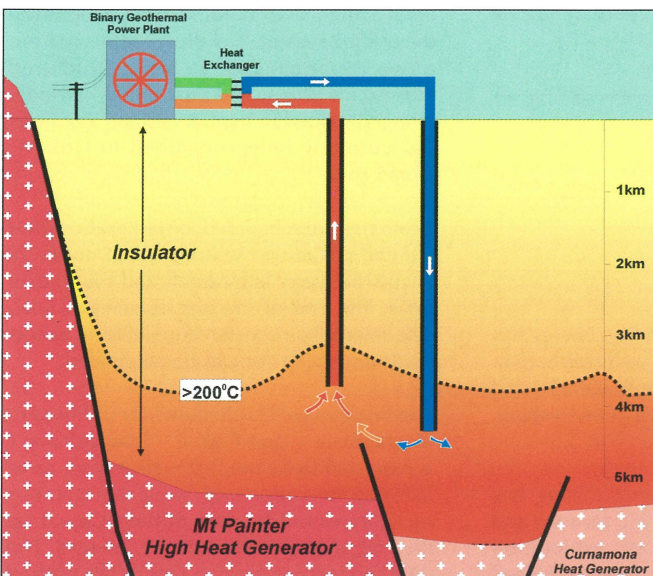
- Beach can withdraw without equity after the completion of the first well or elect to remain at a 21% position after the completion of the second well.

Kallis said the two companies are also investigating the possibility of extending their relationship in other hot rock geothermal opportunities in Australia. "The agreement focuses significant new financial and technical expertise on Paralana as well as an external rating of the commercial potential in this country for geothermal energy and its providers", he said.

"With our recent Memorandum of Understanding with Heathgate Resources to provide top-up supplies to the Beverley mine, we have moved Paralana up the ranks of genuine contenders among long-term alternative energy suppliers."

Under the trial heat exchanger programme, water would be pumped from surface down one of the new wells and circulated through hot rocks at depths of 3.5 – 4 km. It would then be returned to surface via the second well as superheated water to drive electricity generators.

Kallis said Petratherm has focused Paralana on initially providing electricity to meet the growing needs of the Beverley mine, from around 7.5 MW, building to 30 MW – and then expanding to around 520 MW and supplying the national electricity market, via two entry points at Port Augusta and Olympic Dam. ■



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