

Greenearth Energy seeing interest for GGPP; also eyeing growth opportunities in Indonesia, MD says

Greenearth Energy, the ASX-listed geothermal explorer, is seeing interest from potential bidders for its Geelong Geothermal Power Project (GGPP) in Australia, Managing Director, Mark Miller said. Speaking on the sidelines of IBC's Geothermal Energy Conference in Singapore Miller noted that its advisor, KPMG has sent out an information memorandum to interested parties. While some potential bidders are already carrying out due diligence, Miller noted that the company can entertain additional approaches. The company is willing to offer equity at the project level, Miller said. However, it is not averse to divesting equity at the corporate level depending on the approach, he added.

While he did not outline a stake size being divested at the project level or name specific bidders, he noted that bidders comprise players from Australasia, Philippines, Indonesia, North America and Europe. The Japanese and Chinese may not be as interested given that the project draws on the HSA (hot sedimentary aquifer) system as opposed to HFR (hot fractured rocks), according to Miller. Further, strategic investors from Japan tend to be players that would like to bundle their services such as equipment supplies for project development mostly suited to the HFR system, a system that uses higher temperatures, he went on to say. Indian companies such as Tata Power have invested in geothermal exploration plays such as Geodynamics recently. When asked if Indian players such as Tata Power could be interested, Miller did not rule out the possibility. However, he clarified that the company has not received interest from India and has a greater chance of securing funding from a domestic partner.

GGPP would entail a total project expenditure of around AUD 104m with the proof of concept estimated to cost AUD 29.8m, said Miller. While the company has sought a AUD 7m grant for the proof of concept drilling, it is planning to raise an additional AUD 23m from external investors at this stage. Greenearth is targeting completion of proof of concept drilling by H2 2010 that will be followed by a 12MWe demonstration stage costing close to AUD 74m said Miller.

While GGPP is the company's flagship project, Greenearth also holds other exploration permits within Australia such as GEP12 and GEP13. According to Miller, Greenearth is also looking to expand overseas. The company holds a 40% stake in PT Geo Power Indonesia whose focus is to acquire and develop geothermal assets throughout the Indonesian archipelago, Miller said. The company is presently conducting due diligence at a number of downstream conventional geothermal opportunities within the region and could close a deal in the "sometime not too distant future", Miller said.

There may also be a potential opportunity to list the Indonesian entity or raise capital once the company secures a licence or rights to develop a geothermal field, he said. However, until an opportunity is finally secured, it is difficult to specify the size of a capital raise for the Indonesian entity, Miller clarified. While the company is assessing growth and expansion opportunities through its in house expertise, Sinclair Knight Merz is also advising it on the technical aspects, Miller said.

By Surabhi Choudhary in Singapore

Source : mergermarket

Target: Greearth Energy (Geelong Geothermal Power Project), PT Geo Power Indonesia

Bidder: Tata Power Company, Greearth Energy, PT Geo Power Indonesia

Vendor: Greearth Energy, Greearth Energy

Other: Geodynamics Limited