



Australian Government

**Department of Resources
Energy and Tourism**

Geothermal Drilling Program (GDP) Round 2 Frequently Asked Questions (FAQ)

1. Are there changes to the Guidelines between Round 1 and Round 2?

YES - There have been some minor changes to the program documentation between Round 1 and Round 2, but to avoid confusion and to maintain equity between the rounds, these changes have been kept to a minimum. There have been some minor changes to the eligibility and merit criteria to reflect the feedback received during round 1. However the intent of the program remains the same

2. What are the changes to the Eligibility Criteria?

The Eligibility Criteria has been changed from:

- able to demonstrate within a period of three months of being offered funding that it can fund the costs of the project not met by the GDP as they fall due; to
- able to demonstrate within a period of six months of being offered funding that it can fund the costs of the project not met by the GDP as they fall due

And

- able to commence the project in the 2008-09 financial year, for applications in the first round of the GDP; to
- Able to complete the project by 31 December 2014

This change was made to accommodate the change in financial year between round 1 and round 2 and to ease the pressure on drill rig availability. The criterion has been changed to an end timeframe to manage the availability of Program Funds, which have been appropriated until 30 June 2015. This ensures that no project runs beyond the available funding.

3. What are the changes to the Merit Criteria?

Merit Criteria 8:

- The additional benefit/leverage that can be obtained from the private sector and from the applicant for the Commonwealth's contribution; has been removed.

This merit criterion has not been replaced. It is considered that this element of the program is sufficiently covered under the requirements for Merit Criterion 4, Financial Capacity.

4. Do I still need Matching Funding?

YES - The availability of Matching Funding (dollar for dollar = \$7 million) is still a requirement. However, it is important to understand that this requirement is a merit criteria consideration, not an eligibility criterion. As such, you may apply for GDP funding without matching funding provided you can demonstrate evidence of your ability to:

- demonstrate within a period of six months of being offered a grant that it can fund the costs of the project not met by the GDP as they fall due;

This evidence will be assessed under Merit Criterion 4 Financial Capacity, where your ability to provide matching funding and applicant contributions to cover the cost of the entire project will be assessed.

5. How long do I have to confirm project funding?

This time period has been extended under Round 2. Applicants will have six months from the Funding Offer (150 days from the date of Execution), to confirm the availability of full project funding. Evidence, by way of a contract, will be required to confirm this funding is available. This is a condition of the GDP Funding Agreement and failure to do so may result in the withdrawal of funding.

6. Do I need to confirm Drill Rig availability or time schedule for my project?

YES - This will still be required for the assessment of the merit criteria but is no longer a requirement for eligibility. This is one of the key differences between round 1 and round 2, which is specifically designed to accommodate the feedback from industry and relieve the pressure of drill rig availability. However it is still considered to be a basic requirement of any Project Plan that the required equipment is available to meet the nominated Project Milestone Schedule.

7. If projects in a geological province or a type of geological play have already been funded can similar projects still apply?

YES - In relation to Merit Criterion 7:

- Projects contribution to a portfolio of locations funded by the GDP (desirable);

It is important to understand that Round 1 and Round 2 are assessed completely separately. The results of Round 1 bear no relationship to Round 2 assessments. Round 2 applications will not be discriminated against if they are similar in geological characteristics these applications will stand on merit alone.

It is also worth mentioning that Merit Criterion 7 is a 'desirable' criterion and does not prevent an application from being successful if that application rates highly in the 'essential' merit criteria.

8. How technically innovative does the project need to be?

It is understood by the Department that Geothermal Drilling techniques are a tried and true and there is relatively little room for Technical Innovation in the Drilling of two wells. However, should any technical innovation be developed or utilised by the way of new equipment, modelling software or innovative techniques, the Department is keen to see this information in the application. Again, it is important to note that this is a desirable merit criterion and is not essential.

9. Do applicants have to be involved in drilling consortia?

NO - The involvement in a drilling consortia is a desirable merit criteria and is there for not essential. However, the Department is keen to see that consideration has been given to the shortage of drill rig availability. Consorting with Industry partners to address drill rigs shortages is not only desirable for the GDP application assessment but also for your project's bottom line. Co-operation with fellow companies through consortia can significantly reduce the mobilisation and demobilisation costs.

10. What is the difference between a drilling consortia and collaboration? Isn't forming a consortium, collaboration?

For the purposes of the GDP Application the development of drilling consortia means that you are specifically co-operating with your direct competitors to achieve a common goal for mutual benefit (i.e.: secured drill rig timeslots and reduced mobilisation costs). The Department views this consortia activity as a benefit for the industry as a whole and the GDP specifically encourages the development of such agreements.

Collaboration on the other hand refers to more external benefits. Collaboration may be with research institutes, universities or perhaps, complimentary business to share knowledge. These collaborators are contributing to the project but are generally not contributing financially. Likewise, any benefits contributors receive from the project are usually in kind (i.e.: practical test site, PhD research material, access to data and project results, knowledge transfer of skills and techniques). Any paid arrangements are considered to be contractors, not collaborators.

11. The application indicates a requirement to indicate potential energy outputs from the project in Megawatts. Is this is geothermal Mw output or energy Mw output?

After much discussion, it has been decided that **gross energy output in megawatts** will be the required figure.

12. What happens if my application for a Geothermal Exploration licence has not been issued by the State Government before the GDP application close date (4 August 2009)?

It is recommended that you contact the GDP Program Management Team directly on 02 6276 1658 or GDP@ret.gov.au to discuss the issues in detail and seek a determination on eligibility.

13. What are the lessons learned from Round 1 applicant feedback?

Environmental Protection and Sustainability - Whilst this is not specifically asked for under the merit criteria, it is implied by the Commonwealth's requirement for applicants to comply with Commonwealth and state legislation, regulation and licensing requirements. As such applicants may wish to identify specific environmental legislation that affects the project and point out management strategies for when licenses are required and expire. This is key information for Merit Criteria 3 Management Capability. Applicants may wish to include this information in the project plan, the business plan or as a separate attachment.

These licensing and legislative requirements also lead to information in relation to Project sustainability. Many of the GDP Projects will be closed system heat exchangers with all flows from productions wells being returned to the system in a cyclic manner. However, some projects may not be utilising this approach, in which case it would be expected that sustainability of the project be addressed. Any elements that may lead to questions over sustainability should also be addressed in the risk assessment and mitigation plan

Risk Assessment and Mitigation Strategy - As the GDP was initially developed to reduce risk (partly financial) associated with Geothermal Drilling proof of concept projects, it is expected that a risk analysis and mitigation strategy would be included with the application. While some risks may be discussed under technical strength or technical capability the risk assessment and analysis is also seen as a key Management tool which is usually associated with the Business Plan or Project Plan

Detailed Project Plans - Whilst informative, a Gantt chart does not constitute a full Project Plan. It would be expected that a Gantt chart would form part of a descriptive and detailed project plan and not entirely replace it. It is expected that a project plan would provide detail above and beyond the basic requirements of the GDP Application form, expanding on the milestone activities, roles and responsibilities of staff.

SWOT and Competitor Analysis – In such a small industry it is expected that an applicant company has an awareness of its own strengths, weaknesses, opportunities and threats in comparison to its direct competitors. Completing such an analysis provides clear picture of both company and project differentiation. This can assist in demonstrating technical strengths such as, the geological play, the temperature the rig availability, the

location of infrastructure, and future commercialisation potential. This analysis need not be a stand alone document and may form part of the project plan or business plan. Such analysis also assists in demonstrating management capability.

Commercialisation Plan - Whilst a full commercialisation plan is not a requirement of the GDP Merit Criteria, it can assist in identifying key technical strengths which are not related to geology and outline management capability. As the GDP is aimed specifically at proof of concept projects in relation to energy production, the commercial potential of the project has a significant impact. It is expected that elements of commercialisation be discussed under Technical Strength of the project (infrastructure and energy supply requirements) and also in Management Capability. A commercialisation plan is a valuable addition to any Business Plan.

Evidence of Financing - It has been clearly stated that full project financing is not required at the time of application, however, it is a requirement that applicants are able to demonstrate within a period of six months of being offered funding that it can fund the costs of the project not met by the GDP as they fall due. This demonstration of access to funding is equally important at the point of application as it is six months after the funding offer.

At the time of application the demonstration does not need to meet legally binding requirements, so indicative funding may be demonstrated through a Letter of Intent or and Memorandum of Understanding (MOU). In such documents it is expected that an investor would indicate:

- the amount the is to be provided to the project;
- the terms under which they will provide the funds; and
- that they will commit to a legally binding agreement if the GDP Application for funding is successful.

Six months after the Funding Offer (150 days after the date of Execution) it is expected that these non binding agreements will have been formalised as executed contracts.

If applicants are unable to provide this level of documentary evidence of intended financing, it is recommended that they provide any available evidence to demonstrate the progression of financing negotiations such as farm-in agreement proposals, discussions with venture capitalist, best endeavours by equity raising partners or advanced IPO plans and timelines etc.

Source Data and Calculations – Round 1 Applicants that provided clear and accurate source data, working calculations and assumptions were more likely to be highly rated. This is particularly true in relation to the geological data but also for financial information. A general rule of thumb is to provide more information rather than less. Where results may not be available at the time of application please indicate what testing has been conducted and when the results are expected. Applicants may be asked to provide results when they are available

14. What are the timelines for the GDP Delivery?

The following dates are indicative timeframes only and are subject to change.

GDP Applications Open	9 June 2009
GDP Close applications	4 August 2009
Technical and Financial Assessments Due	4 September 2009
Committee Secretariat preparation due	9 September 2009
Committee Assessment	14 September - 13 October 2009
Committee Meeting	14 October 2009
Announcement	13 November 2009
Funding Agreement Execution	15 December 2009
Conditions Subsequent due	15 May 2010