

GULLEWA GEOTHERMAL PTY LTD

ACN 137 292 353

Level 8, 49-51 York Street, Sydney
T: 02 9397 7555 F: 02 9397 7575

SEL 9/2009

NORTH-WEST TASMANIA

FINAL REPORT

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Prepared by:
Garry Baglin
Chief Geologist
Gullewa Limited
Level 8, 49-51 York Street
Sydney, NSW, 2000

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1. SUMMARY

Special Exploration Licence 9/2009 covered a large area of western and northern Tasmania where the underlying geology was interpreted as having the potential to generate geothermal heat energy suitable for conversion at surface into baseload electrical energy.

The geothermal targets were:

- enhanced geothermal systems (EGS) associated with high heat generating granites 4,000-5,000 m below surface, and
- hot sedimentary aquifers (HSA) overlying these high heat generating granites, in formations 3,000-4,000 m below surface.

Work completed during the term of the Special Exploration Licence included completion of a geothermal systems assessment report of the licence area. This report highlighted three priority areas:

- Sheffield region;
- Hampshire; and
- Zeehan-Renison area

The Zeehan-Renison area is interpreted as having both HSA and EGS potential.

The deep hot rock geothermal industry is an embryonic industry and, as it is slowly maturing, a range of technical and financial issues associated with the industry have been identified.

It is unlikely that these issues will be appropriately/effectively addressed within an acceptable investment time-frame without the assurance of significantly higher long-term electricity prices.

Planned future work within SEL 9/2009 was to be focused on the Zeehan-Renison area but the nature of this work would need to reflect investment incentives available for the low greenhouse gas emissions electricity sector.

2. LOCATION and TENURE

SEL 9/2009 was granted to Gullewa Geothermal Pty Ltd on 16 December 2009 for a period of 5 years (see Figure 1).. The tenement covered a 3,028 square kilometre area of northern and western Tasmania. It was held for geothermal substances and excluded existing Mining Leases

The Licence was held by Gullewa Geothermal Pty Limited, a wholly-owned subsidiary of Sydney-based, ASX listed, Gullewa Limited.

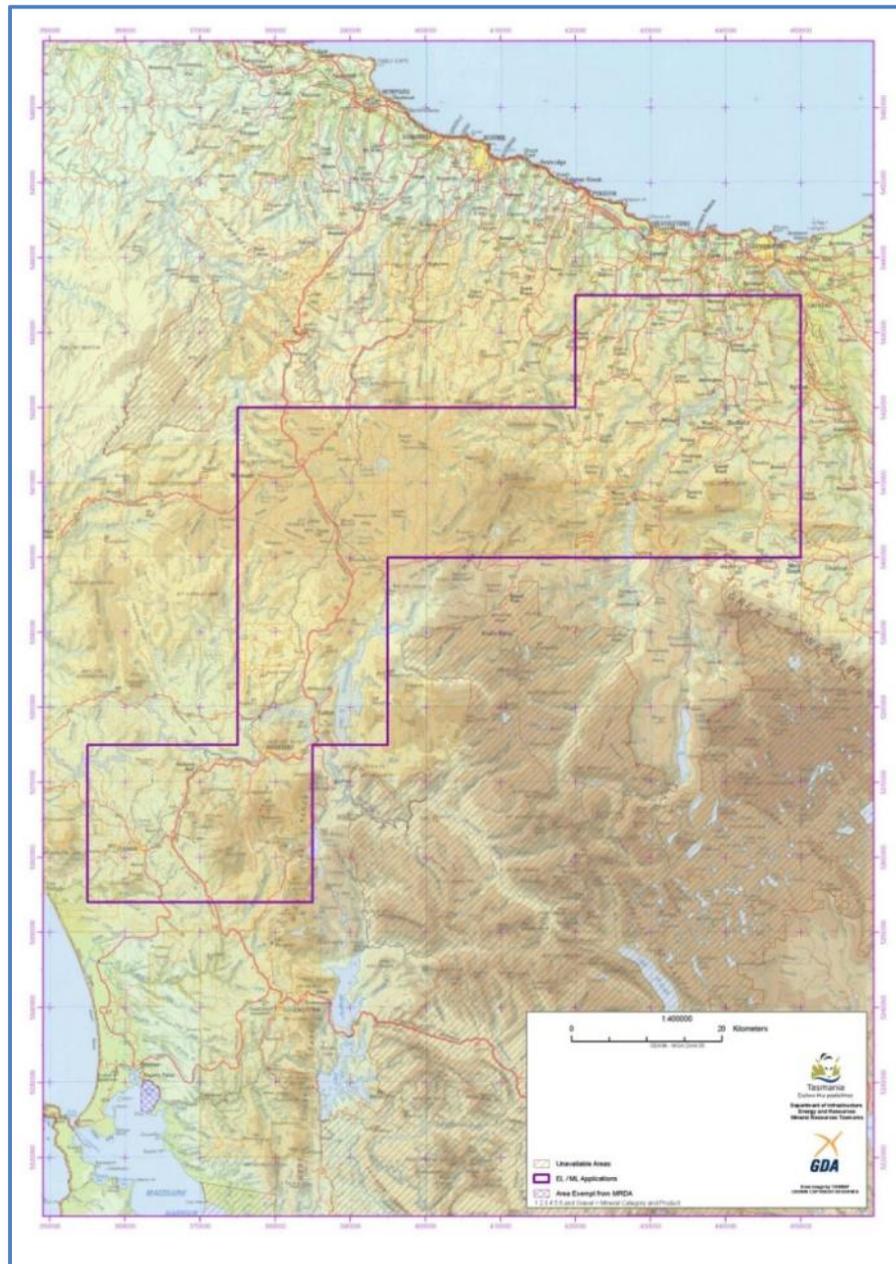


Figure 1 – Location Plan of SEL9/2009

3. WORK COMPLETED

3.1 Development philosophy

SEL 9/2009 covered an area regarded as having the potential to produce geothermal energy from deep hot rock geothermal sources.

The geothermal gradient in the region is relatively high because of the thin crustal conditions, and this gradient is further enhanced by the widespread intrusion of high heat generating Carboniferous granites.

To be of potential commercial value, the Company considered that such geothermal heat sources must be in the range of 120-200°C at depths no greater than 5,000 m.

There are two basic target types were identified within the licence area:

- 1 EGS (enhanced geothermal systems) where the hot rocks must be artificially fractured to enhance the permeability to the extent that large volumes of injected water can be suitably heated prior to returning to surface.

Such systems can be developed either within the high heat generating granites or in the heated rocks overlying these granites.

- 2 HSA (hot sedimentary aquifers) where the injected water to be heated is transmitted through formations containing natural porosity and permeability.

EGS systems can be hotter and deeper than HSA systems but are more expensive to develop and present substantial technical challenges.

3.2 Work completed

Hot Dry Rocks Pty Ltd was commissioned to undertake a Geothermal Systems Assessment of the project. The assessment was a systematic review of existing data relevant to geothermal energy exploration. The assessment by Hot Dry Rocks was completed in October 2010 and a copy of the report included in Annual Report on the project for the 2010 period.

The Company was also in communication with KPMG with the objective of reviewing various aspects of Research and Development technologies in an attempt to optimise Company's exploration approach and associated expenditures.

No field work was done on the project during the projects life.

Financial constraints throughout the Resources Sector, especially with regard to junior companies, has resulted in Gullewa Geothermal deciding to abandon the project and relinquish the tenement.

4. REFERENCES

SEL 9/2009 North-West Tasmania - Annual Report for the period ending November 2010; by Lindsay Newnham, Newnham Exploration and mining Services.

SEL 9/2009 North-West Tasmania - Annual Report for the period ending November 2011; by Garry Baglin, Gullewa Limited.