

Chaucer Energy IPO will lead to electricity generation in Chile from coal field gas

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It is a business plan that has been developed over 30 years and is planned as a break through technology — In Situ Gasification (or ISG).

Chaucer Energy, with its IPO, is inviting Australian investors to grab a slice of a business that could last at least 30 years and well beyond.

It involves producing gas from coal fields and utilising the gas in regions regarded as in urgent need of energy supply. The gas can be used for power generation or for use in manufacture of chemical products,

The technology dates from the 1930s when it was pioneered in the former Soviet Union.

Chaucer Managing Director Dr Len Walker first evaluated a similar electricity from gas operation in 1982 at South Australia's Leigh Creek coal field and had also undertaken ISG demonstration gas production at two sites in Queensland before ISG was banned by the Queensland Government.

But ISG is already getting known now in Australia with [Leigh Creek Energy \(ASX: LCK\)](#) planning to use ISG at that same South Australian coal field to produce 1 million tonnes per annum of the fertiliser feedstock, urea.

Chile embraces Chaucer technology

While ISG has struggled to gain acceptance in Australia because of the Queensland Government ban, it has been embraced by Chile as a potential solution to its energy supply problems (as well as reducing the widespread and polluting burning of wood for heat).

Chaucer, which will trade under the ticker CHA, is offering up to 27.5 million shares at \$0.20, with a minimum subscription of \$4.5 million and a maximum raise of \$5.5 million.

The company has identified three potential projects areas in southern Chile — where the wood burning problem is most acute — and has been granted exploration mining concessions near the town of Maullin as well as two other separate areas in the Magallan Basin: Rio Perez and Isla Riesco.

“The company believes it has acquired the most prospective areas in the country for the application of the ISG process,” the prospectus states.

Chaucer plans to begin seeing revenue from power generation in fiscal 2023, starting with a small three-megawatt (MW) plant and expanding power generation rapidly by adding modules to increase capacity.

The company has done indicative financial analyses for projects generating from 3MW up to 200MW and is confident of project financial viability.

ISG to electricity can be “highly profitable”

The company argues that supplying electricity in Chile can be highly profitable, with the power prices being among the highest in the OECD.

Electricity demand has doubled since 2000 and is set to double again by 2050.

Two-thirds of Chile’s energy is imported: 100% of oil, 80% of natural gas and 80% of coal (its second largest coal supplier being Australia). More than 90% of coal used in the country is for electricity generation.

Firewood accounts for about 60% of domestic energy production, a fact that represents an urgent bio-health problem for a country that has the highest GDP in South America.

For Dr Walker, ISG has been a long and winding road.

MD been working on ISG since 1982

He admits to getting hooked on the concept with the Leigh Creek effort and had read up on the Soviet Union's history in this field which had begun in the 1930s, and he visited operations there in the 1990s to develop technical associations which are still current.

Dr Walker planned a project development in Queensland with listed company Cougar Energy Ltd but was prevented by the Queensland ban on the technology.

Indonesia looked a promising option — all that coal but serious electricity supply challenges especially in the remoter parts of the country, but he found the government regulations there unacceptable.

South Africa has initiated development of ISG for electricity generation, but the country's parlous economic state makes project financing difficult.

India has been proposing ISG development for many years but progress has been slow. The Chilean Government's support for ISG leaves Chaucer Energy with the potential to be a world leader in the commercialisation of ISG technology.

The Chaucer IPO is due to close on 25 November.



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Robin has worked in journalism for 58 years, with 32 of those involving covering resource companies. Previously a reporter for The Australian, Robin has authored countless newspaper columns on mining and oil juniors and has published many books about mining and investing.



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Chaucer Energy Limited note: This information does not replace the Prospectus. You should read the Replacement Prospectus (Prospectus) in its entirety. Applications can only be accepted on the Application form contained in the Company's Prospectus lodged with ASIC on 29 October 2020 (Prospectus), a copy of which is available through this website www.chaucerenergy.com.au.