

ASX Release

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ABN 17 106 806 884

105 Greenhill Road
Unley 5061
South Australia

Tel: +61 8 8274 5000
Fax: +61 8 8272 8141

W: www.petratherm.com.au
E: admin@petratherm.com.au



PETRATHERM LIMITED
ABN 17 106 806 884

PRESENTATION TO COMMONWEALTH DEPARTMENT OF INDUSTRY, TRADE & RESOURCES

As a recognized leader in the Australian geothermal energy sector, Petratherm was invited by the Energy & Environment Division of the Federal Department of Industry, Trade & Resources, to present at their Annual Divisional Seminar. The Energy & Environment Division is responsible for leading the Australian Geothermal Energy Industry Development Framework.

The Company's presentation (copy attached) outlined Petratherm's latest business activities and plans, together with an overview of the Australian geothermal energy sector and the challenges and opportunities facing the development of enhanced geothermal systems (EGS) projects – often referred to as “hot rocks”.

The key messages included in the presentation are summarized as:

- Petratherm's key strength lies in its approach to “exploration for heat” and its commercial assessment of projects – “location, location, location”.
- The approach has resulted in a portfolio of quality projects in Australia and overseas – first mover in Spain for “Hot Rocks”.
- Petratherm's unique HEWI model has the potential to concurrently and substantially reduce costs and risks – also reducing the time for delivery.
- Petratherm has, in its Paralana Project, clear commercial and competitive advantages with a willing potential customer at “off grid” prices and a realistic long-term commercialization path – unique path to commercialization.

- Geothermal Energy – conventional and “hot rocks” can provide low cost, large scale, base load, renewable power – highly attractive political, economic, social and environmental global energy solution.

Yours faithfully

Terry Kallis
Managing Director

MEDIA CONTACT:

Terry Kallis
Kevin Skinner

Petratherm Limited
Field Public Relations

08 8274 5000
08 8234 9555 / 0414 822 631



petratherm

DITR – Energy & Environment Divisional Seminar

“Building a portfolio of quality geothermal energy projects – Australia and Overseas”

Presented by: Terry Kallis,
Managing Director

July 2007

Explorer and Developer of Geothermal Energy

Presentation Outline

- Key Messages
- Corporate Overview
- Petratherm's Unique Exploration and HEWI Models
- Key Projects – Australia & Overseas
- Significant Achievements - 2006/2007
- Economics of Geothermal Energy Generation
- Geothermal Energy and Electricity Markets
- SA Electricity Market and Geothermal Projects
- Geothermal Project Economics and Development
- Paralana short/long term Commercialization Plans
- Key Challenges for Australian EGS Projects
- Summary

Key Messages

- Petratherm's key strength lies in its approach to “exploration for heat” and its commercial assessment of projects - “location, location, location”.
- The approach has resulted in a portfolio of quality projects in Australia and Overseas – first mover in Spain for “Hot Rocks”.
- Petratherm's unique HEWI model has the potential to concurrently and substantially reduce costs and risks – also reducing the time for delivery
- Petratherm has, in its Paralana Project, clear commercial and competitive advantages with a willing potential customer at “off grid” prices and a realistic long term commercialization path – unique path to commercialization
- *Geothermal Energy – conventional and “hot rocks” can provide low cost, large scale, base load, renewable power - highly attractive political, economic, social and environmental global energy solution*

Corporate Overview

- Established in 2003 and listed on the ASX in July 2004
- Major shareholder is Minotaur Exploration – 34%
- Recent successful capital raising - Placement & SPP, \$6.3 M
- Shares on Issue - 57,750,000 – Current Price of \$1.18
- Market Capitalization of \$ 68 million
- \$8 M in cash, \$ 5M grant and up to \$ 30 M JV with Beach Petroleum
- Mission – *“to explore and develop, emission free, geothermal energy projects that are commercially sustainable”*
- Strategy – *“shallow hot rocks close to market”*

Board & Management



*Derek Carter
Chairman*



*Simon O'loughlin
Director*



*Prof. Richard Hillis
Director*



*Dr Lloyd Taylor
Director*



*Richard Bonython
Director*



*Terry Kallis
Managing Director*



*Donald Stephens
Company Secretary*



*Peter Reid
Operations Manager*

Petratherm's Exploration Model

“Shallow Hot Rocks close to Market”

*“Hot Rocks” are EGS , i.e.
Enhanced Geothermal Systems*

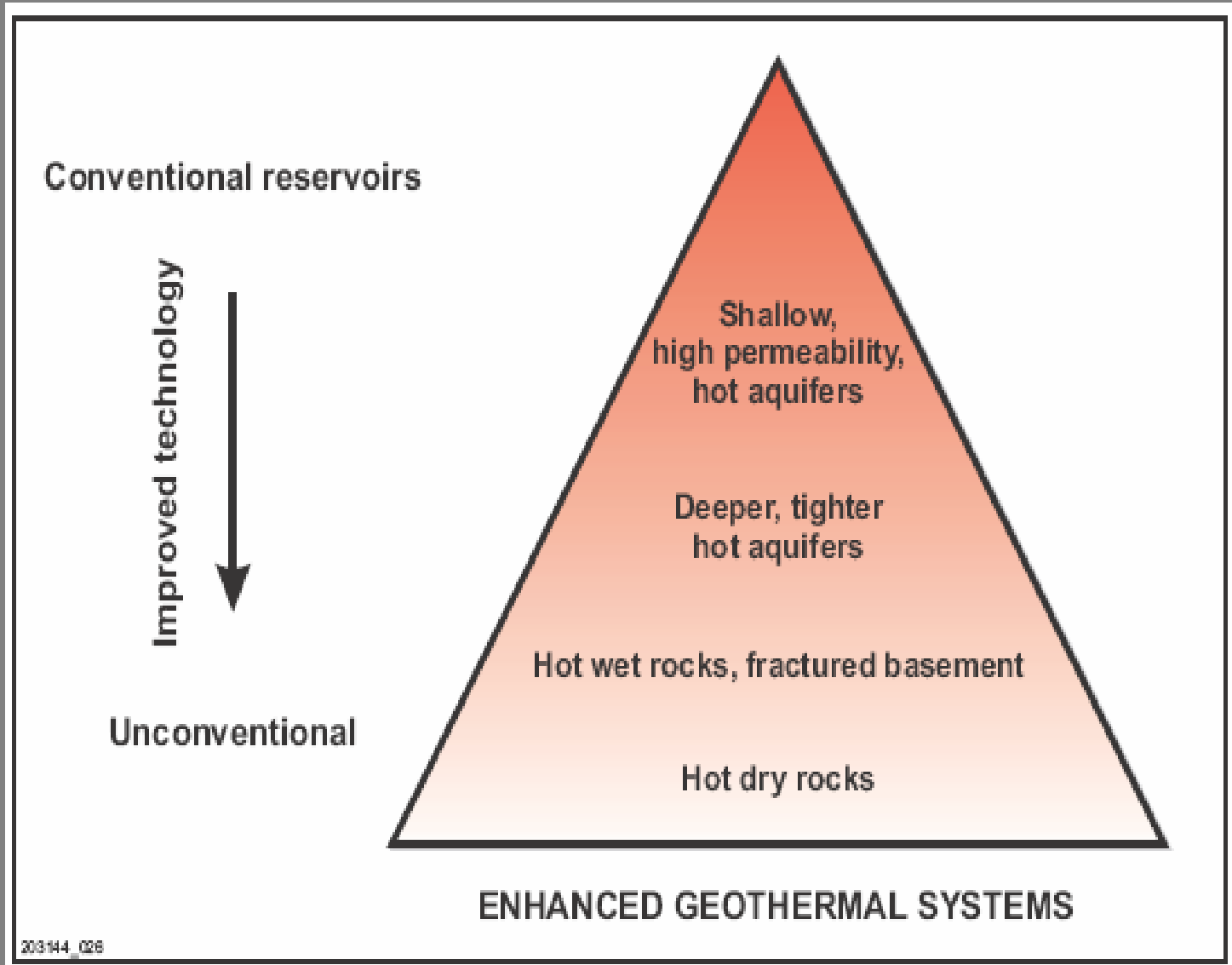
Prime Cost Drivers

- Temperature Differential
- Drilling Depth
- Flow Rate
- Network Connection
- Generation Plant



Petratherm is seeking to **optimize the key drivers** to achieve the **lowest long run average cost** electricity delivered while minimizing project risks.

Enhanced Geothermal Systems

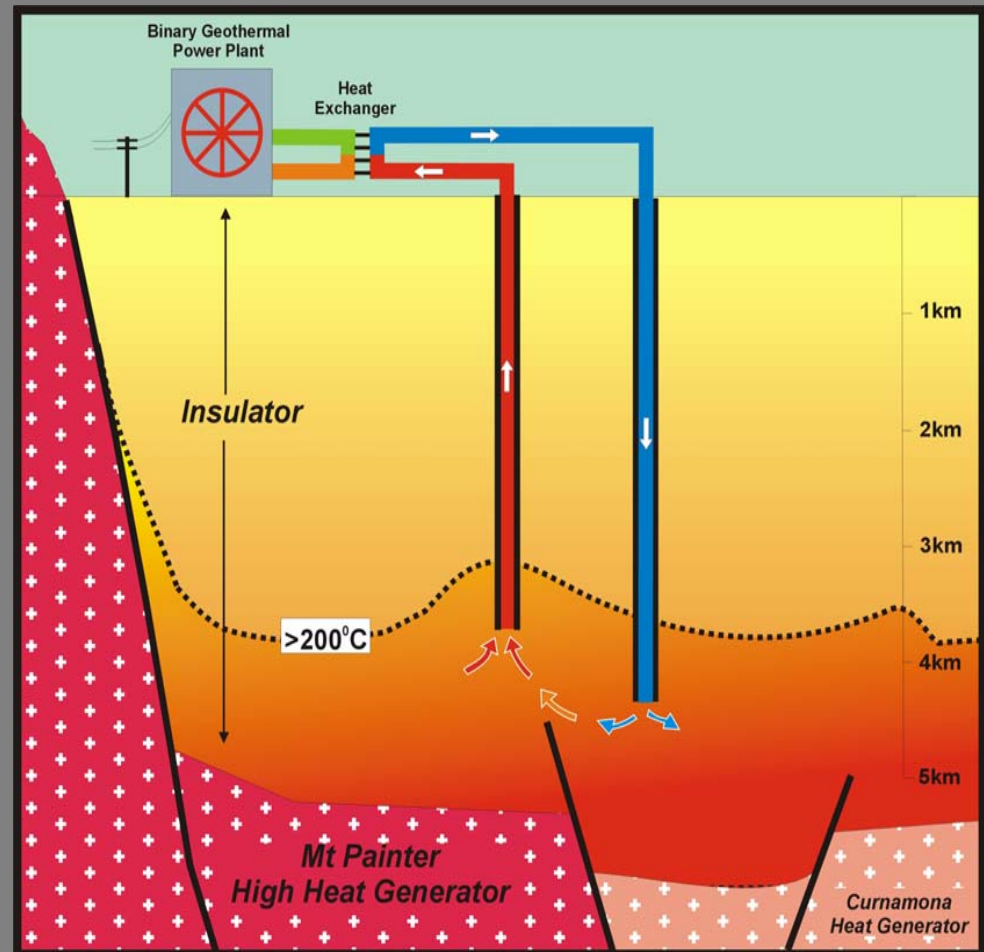


Heat Exchanger Within Insulator (HEWI) Model

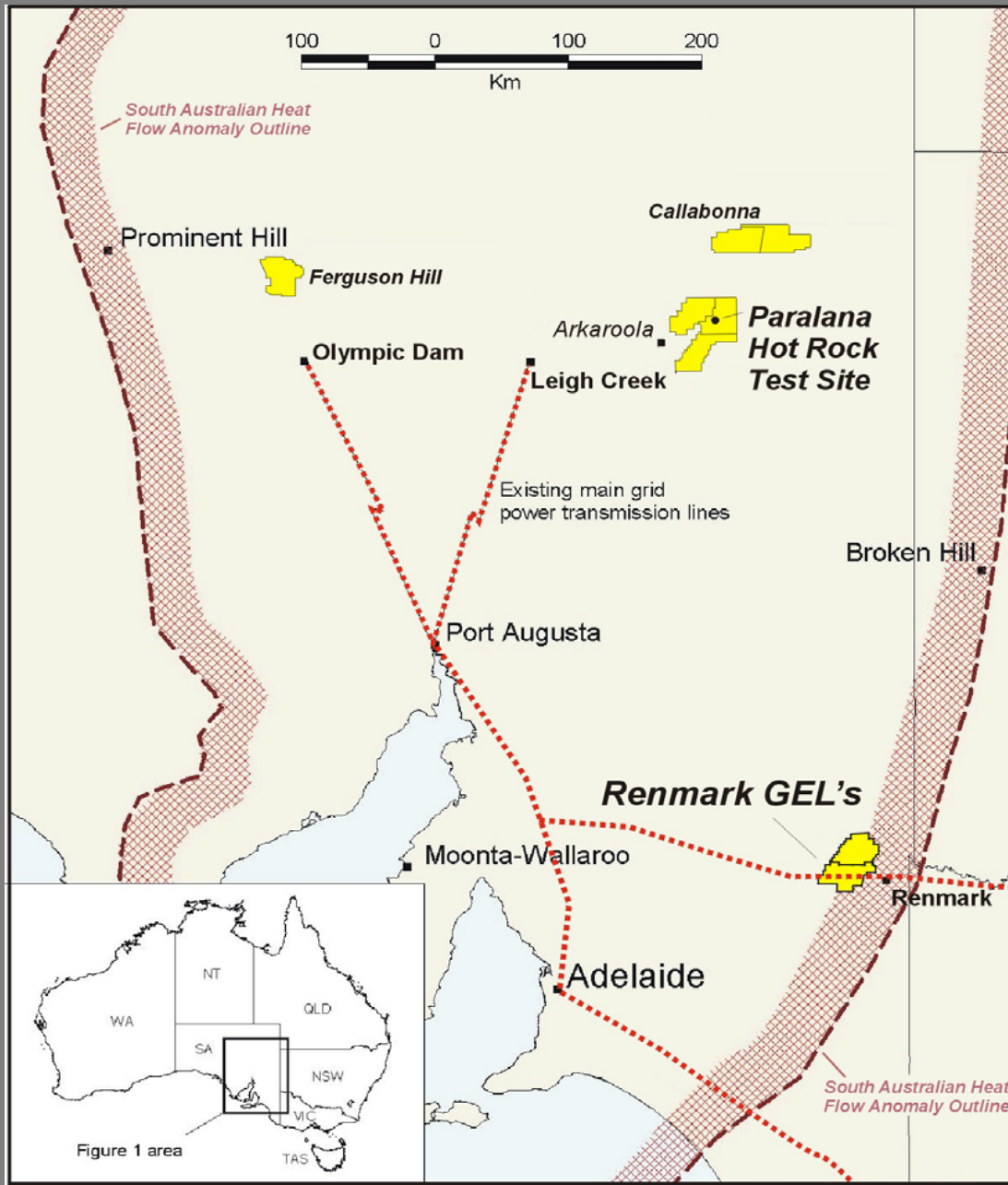
EGS -
enhance/engineer
the geothermal
system that is
underground heat
exchanger

- Higher Permeability
- Chemically Stable
- No Potential Radon build up
- Lower Risk

= Cheaper Power!



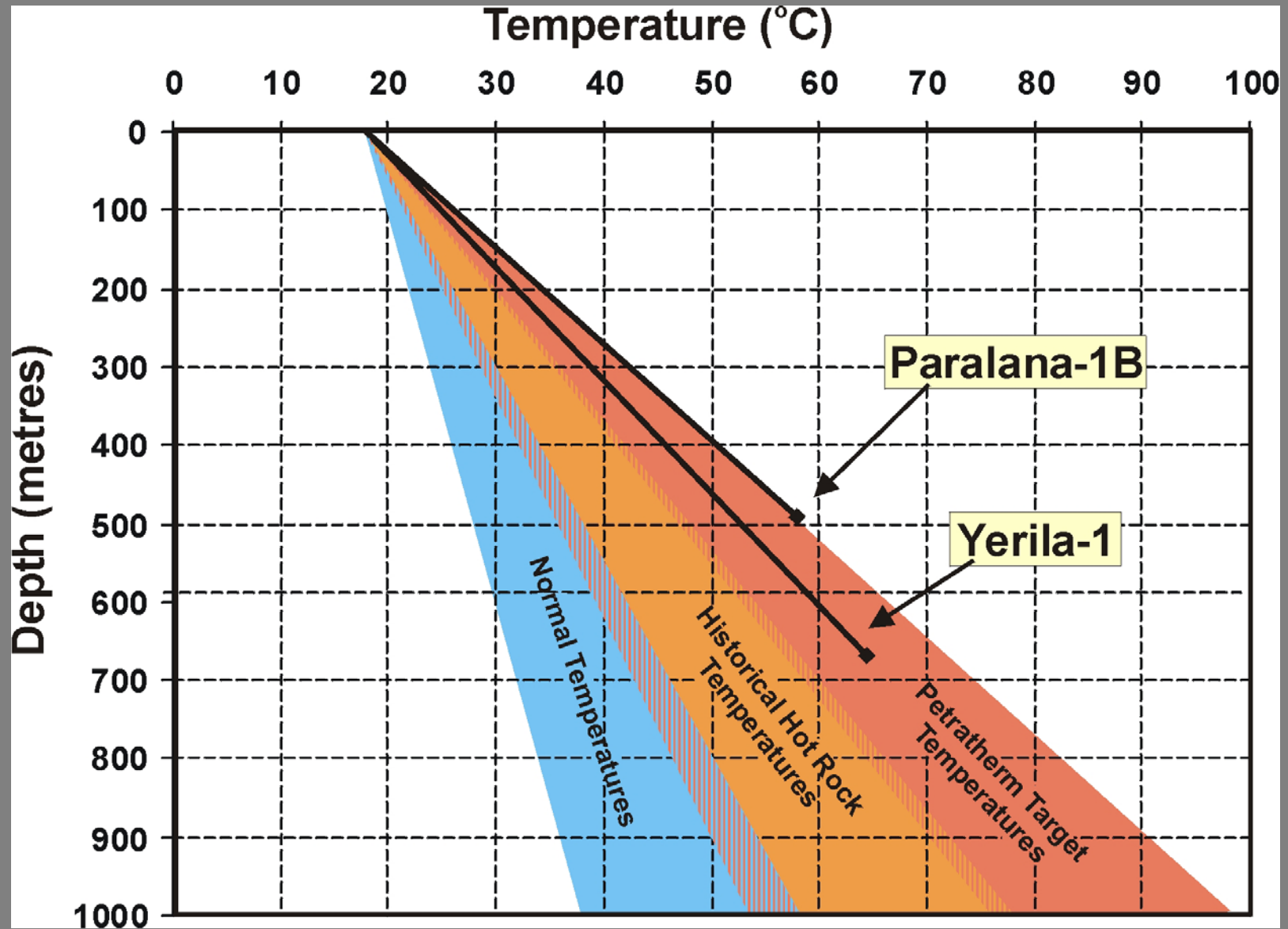
Petratherm's SA Projects



Paralana Hot Springs – 62°C



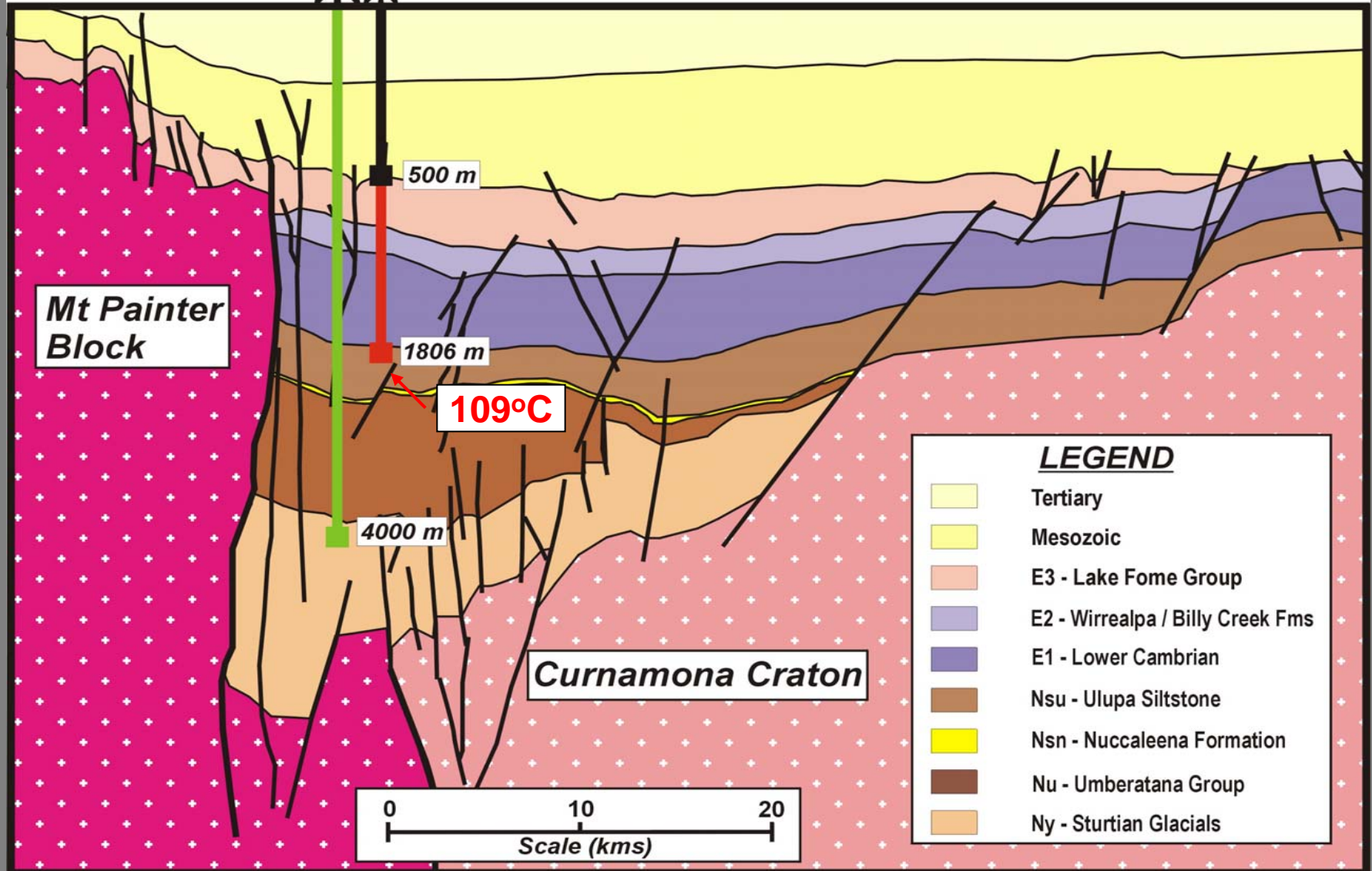
Outstanding Thermal Resource



Paralana 2
Phase 3 drilling

Paralana 1

Paralana Work Program



Renewable Energy Country Attractiveness Indices

- *Tariffs*
- *Resource Potential*
- *Growth*
- *Grid Capacity*

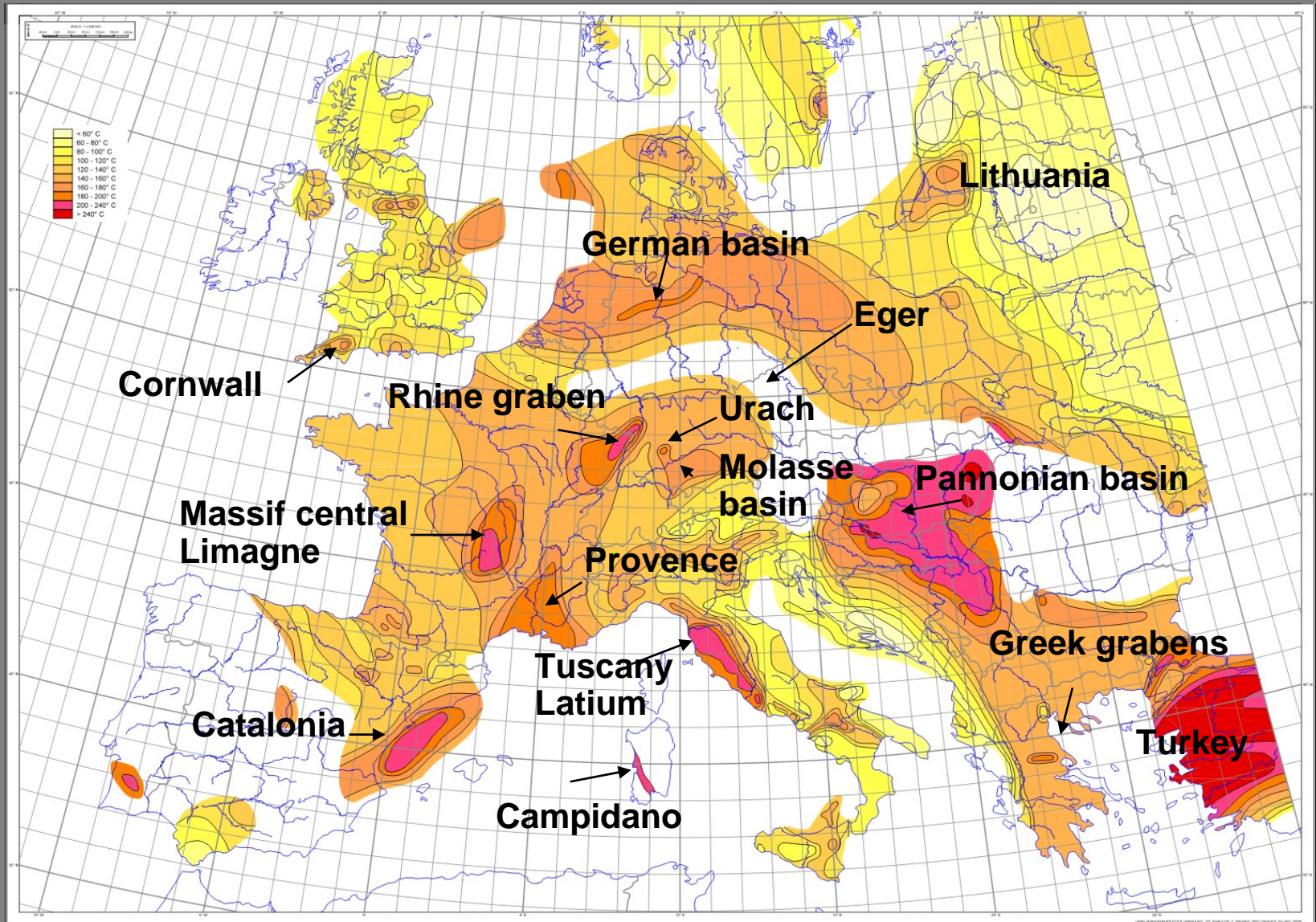
Ranking	Country	All Renewables Index	Renewables Infrastructure Index
1	Spain	69	80
2	USA	67	70
3	Germany	62	56
4	India	61	66
5	UK	60	61
6	Italy	58	63
7	France	57	55
8	Portugal	56	63
9	China	56	59
10	Canada	55	63
11	Netherlands	54	56
12	Ireland	54	61
13	Greece	53	56
14	Sweden	52	53
15	Australia	50	51
16	Denmark	49	58
17	Norway	49	56
18	Belgium	48	53
19	Finland	38	39
20	Austria	33	49

Source : Ernst & Young 2006

Wholesale Renewable Power Price's *cents per KWh (Aus)*

<i>Spain</i>	<i>11.4 – 14.5</i>
<i>USA</i>	<i>10 – 11.5</i>
<i>China</i>	<i>8.6 – 9.5</i>
<i>India</i>	<i>7.8 – 10.1</i>
<i>Australia</i>	<i>7.5 – 8.5</i>

Europe - Extrapolated Temperatures at 5km Depth



Source Hurtig et al., 1992 modified by GEIE EMC, 2000

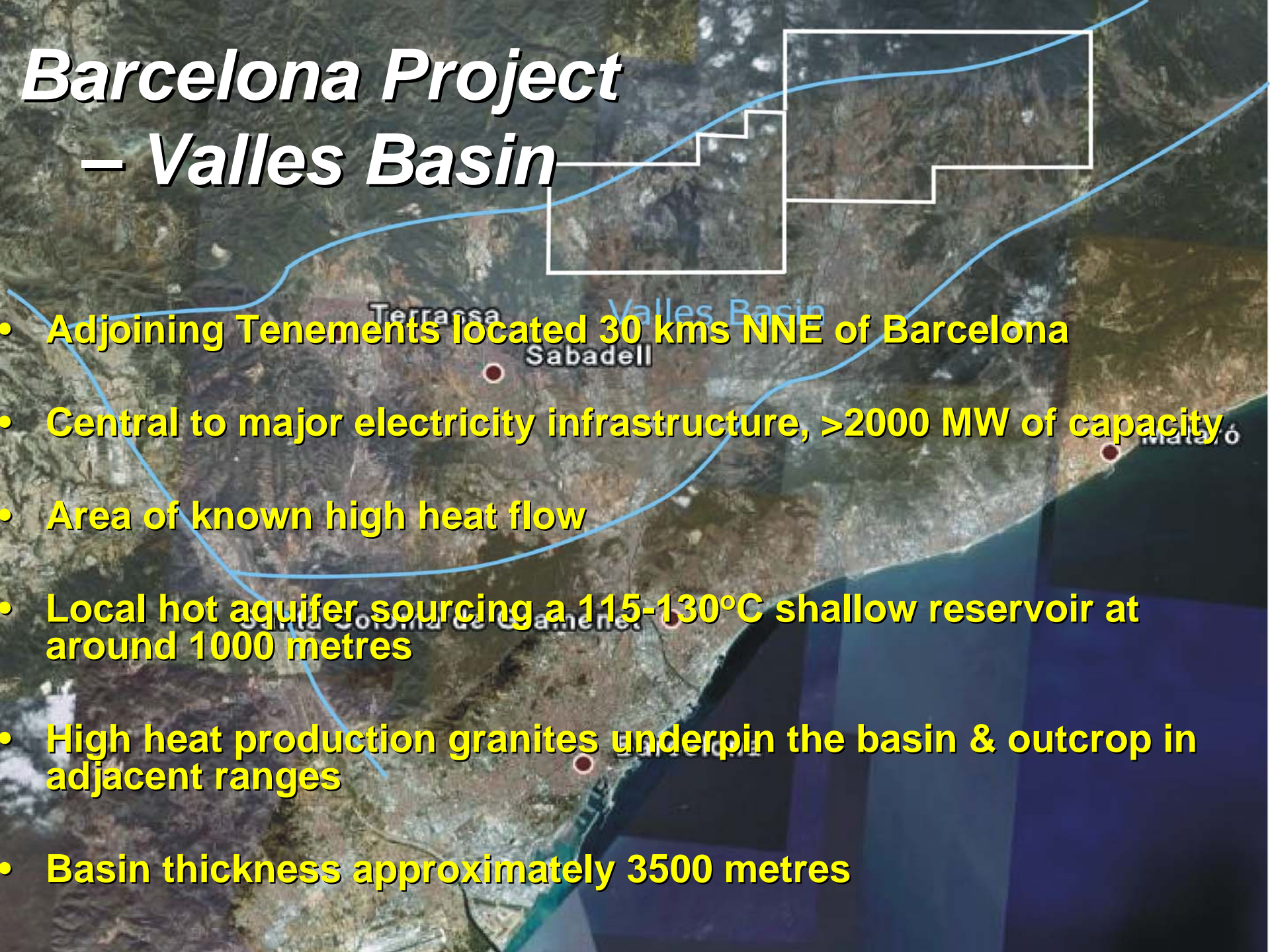
Madrid Project – Madrid Basin

- **Tenement Area 300 km² , located 35 kms NNE of Madrid**
- **Major electricity and water infrastructure, > 5000 MW of capacity**
- **Known low enthalpy aquifer (85°C) resource at 1500m and very high flow rates.**
- **High heat production granites outcropping in the range and likely to underpin the basin, similar setting to Paralana**
- **Basin thickness approximately 4000 metres**
- **Three existing deep wells on tenements down to 3.1 to 3.5 kms.**
- **Potential for early advancement of project during 2007**

Barcelona Project

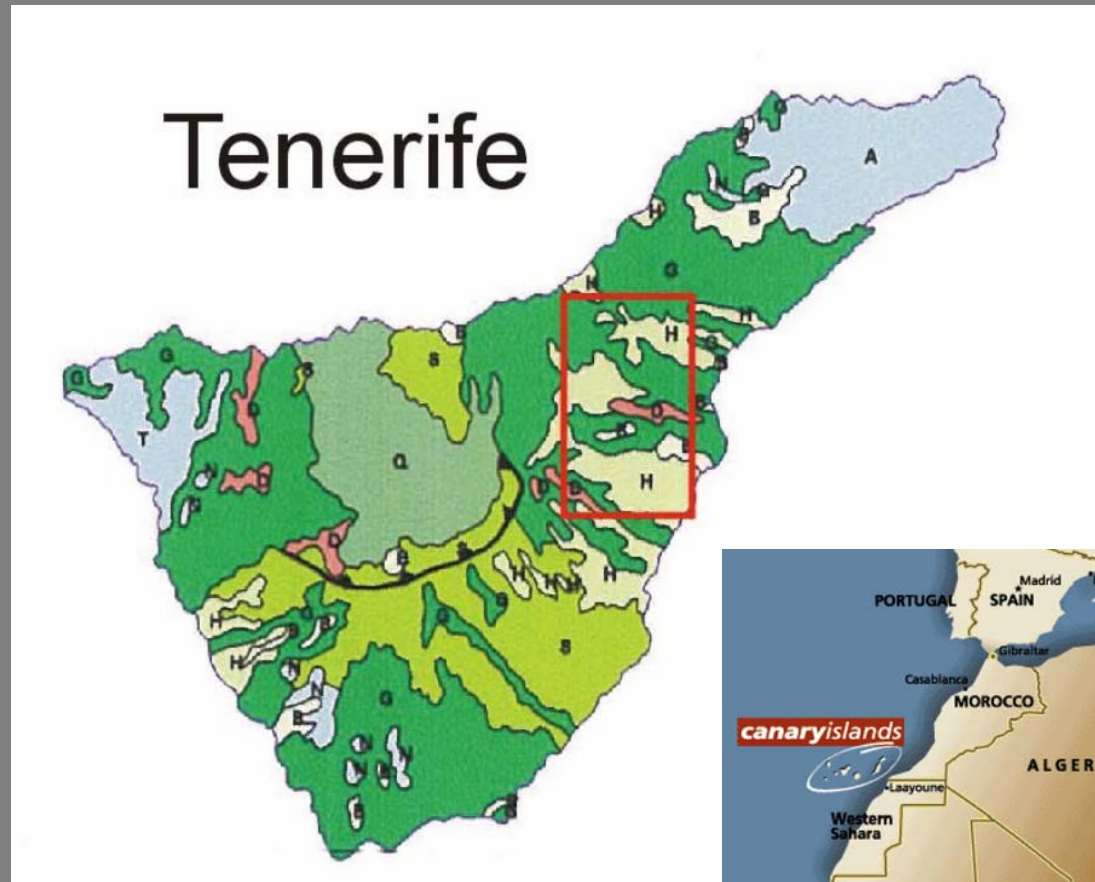
– Valles Basin

- **Adjoining Tenements located 30 kms NNE of Barcelona**
- **Central to major electricity infrastructure, >2000 MW of capacity**
- **Area of known high heat flow**
- **Local hot aquifer sourcing a 115-130°C shallow reservoir at around 1000 metres**
- **High heat production granites underpin the basin & outcrop in adjacent ranges**
- **Basin thickness approximately 3500 metres**



Tenerife Conventional Geothermal Project – Canary Islands, Spain

- *10,000 MW of conventional geothermal worldwide*
- *Known technology, lower risk and earlier development*
- *Volcanic heat source – typically >300°C at 2kms*
- *Tenerife population up to 1.5M people during peak season*
- *Substantial transmission infrastructure in close proximity*
- *Attractive market and regulatory environment – with high price energy alternatives*

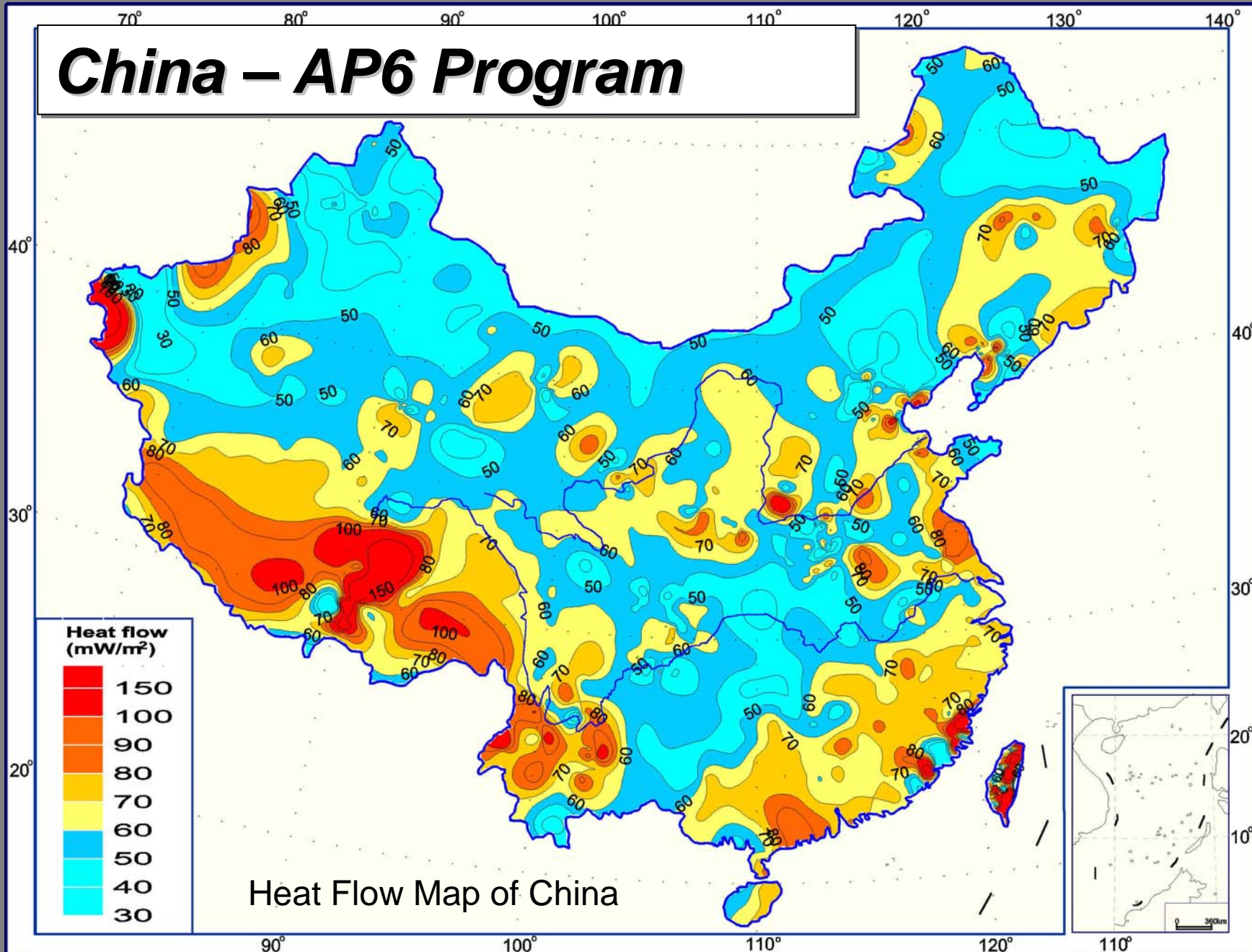


China – AP6 Program

- **Asia Pacific Partnership Approved Project (AP6) with the support of the Chinese and Australian Governments**
- **Over 240 recorded geothermal sites**
- **Conventional Geothermal Potential ~1400 MW**
- **Enormous EGS (Hot Dry Rock) Potential**
- **Hot Water and Electricity Plays in a number of provinces**
- **Joint Venture discussions under way with interested parties**

Ningzhong - Tibet

China – AP6 Program



Source: Hu Shengbiao, He Lijuan and Wang Jiyang. 2000.

Petratherm - Key Achievements

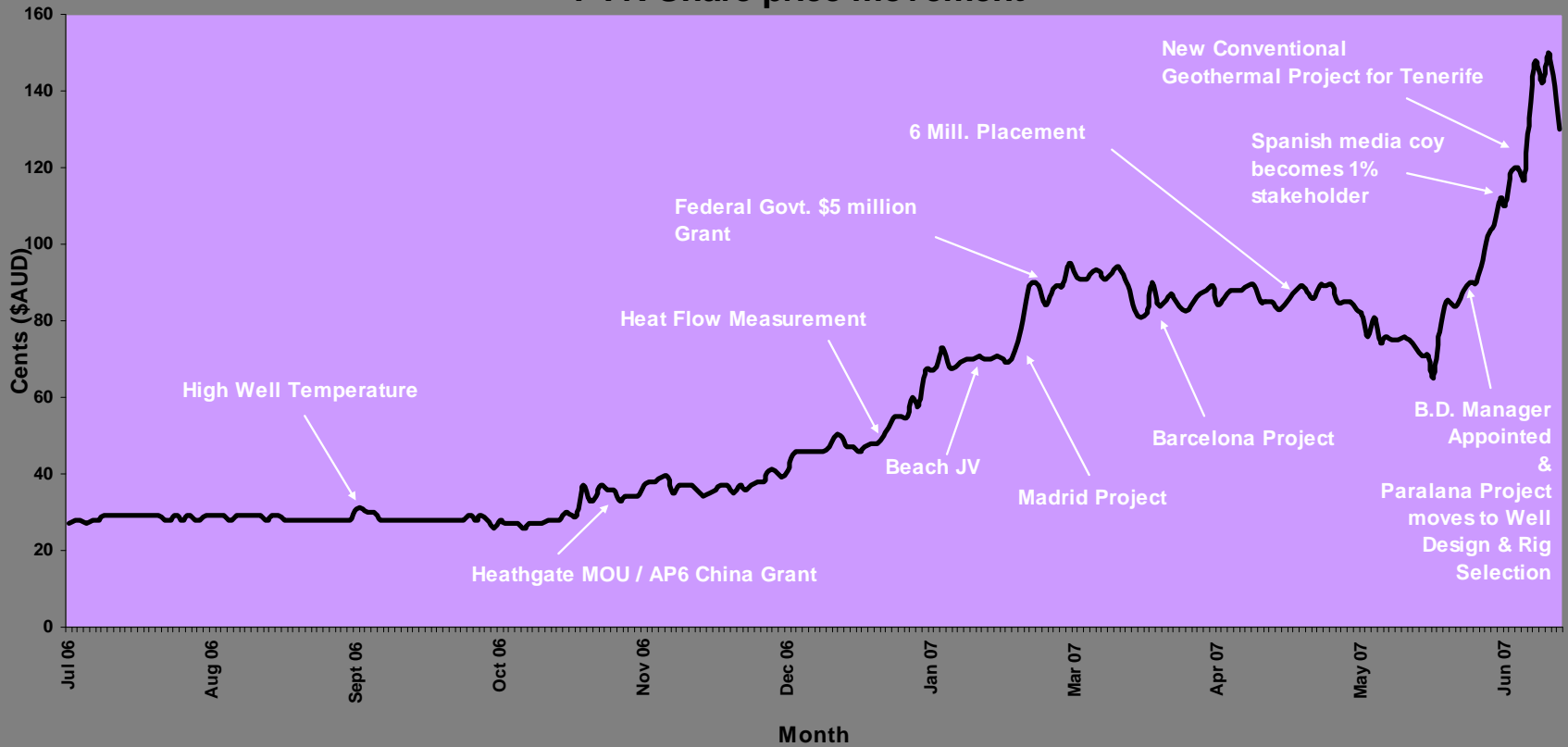
- Discovery of world-class heat resource at Paralana, South Australia.
- Established an MOU with Heathgate Resources to provide their Beverley Uranium Mine with electricity to meet their growing needs.
- Secured approval to investigate China's Hot Rock potential through Asia Pacific Partnership on Climate and Clean Development (AP6)
- Up to \$30 million Joint Venture with Beach Petroleum to test and build Phase-1 commercial plant at the Paralana Hot Rock Resource (\$10 M for 21% equity and option for additional 15% equity for a further \$20 M)
- \$5 million Federal Government grant to support development of a new lower risk heat extraction process (HEWI Model)
- New Spanish Hot Rock Projects announced near Madrid & Barcelona - Conventional Geothermal in Tenerife, Canary Islands (more to come)

Photo: Callabonna Project Area, South Australia



Petratherm Share Price

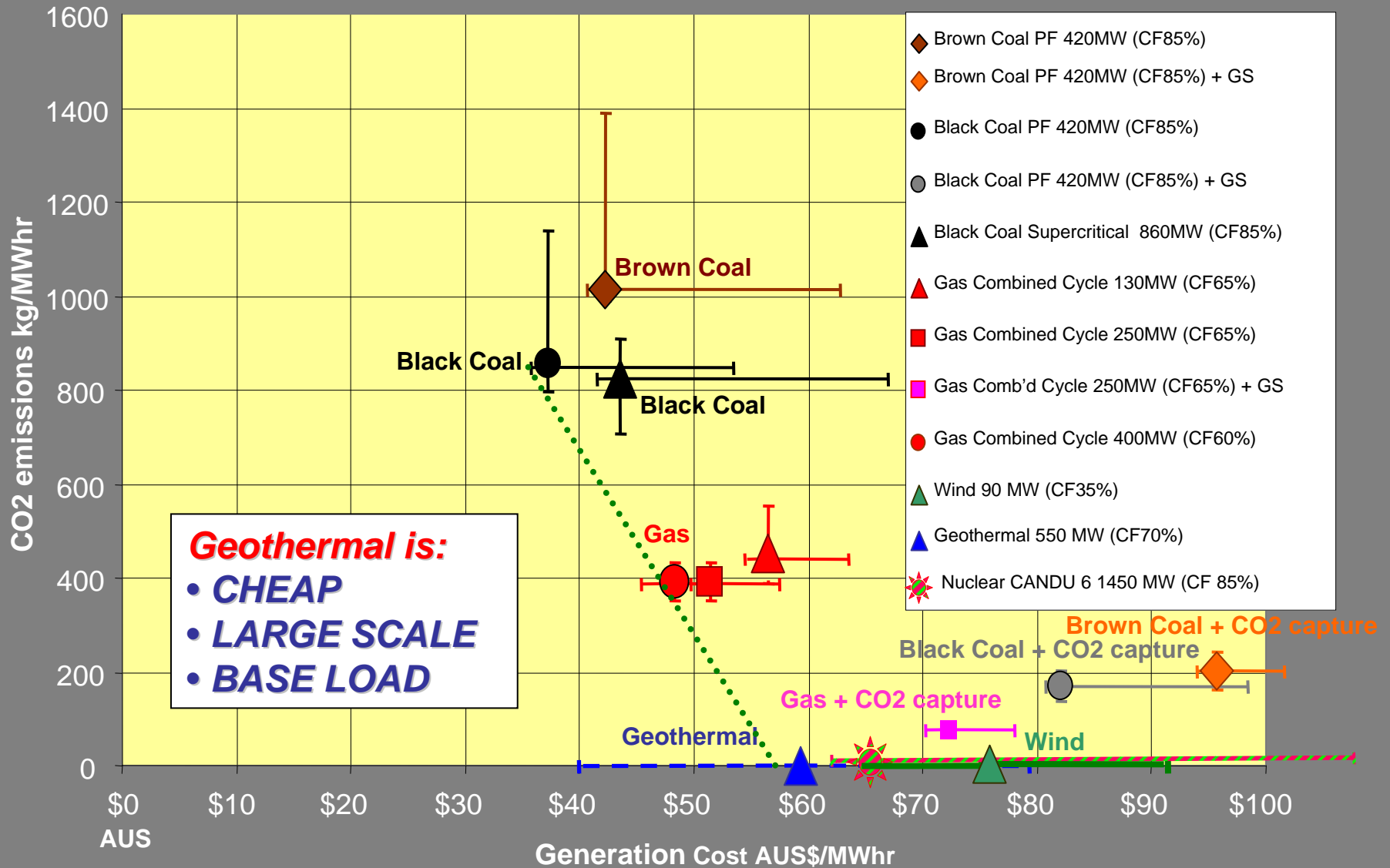
PTR Share price movement



Petratherm Project Summary

- Build on the Company's key strength of **exploring for heat** and adding **project development** to its capabilities and seeking to continually **lower costs and risks**
- Continue to **expanding its portfolio of quality projects** in Australia and Overseas (Spain and China).
- **Paralana Project** exhibits the **key ingredients for success**
 - Excellent thermal resource at shallow depths with stable geological formation - expect good drilling conditions
 - Proximity to the “off-grid” Beverley Uranium Mine
 - \$30 M JV with Beach Petroleum and \$5 M Federal Grant
 - A unique and realistic, long term commercialization plan
- **Paralana Project Next Steps**
 - Deep well design and drilling rig selection – late July 2007
 - Drilling first well – subject to rig availability – early 2008
 - Drilling second well – mid 2008
 - Long term circulation tests late 2008
 - Produce first power to Beverley – end 2009

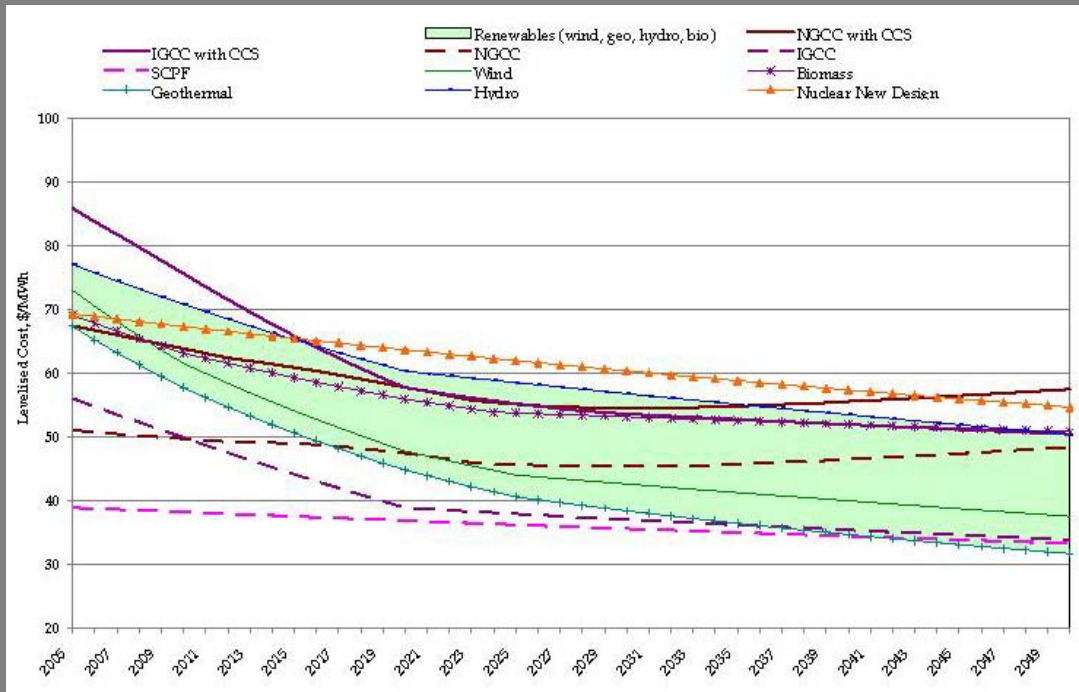
Economics of Geothermal Energy Generation



COMBUSTION CO2 EMISSIONS vs LONG RUN COST
 (Source: ESIPC Compilation 2006)

Long Run Costs of Renewable Energy Technologies

- Advantages of Geothermal Energy include:
 - Large scale base load
 - Large resources and reserves
 - Expected to be lowest cost renewable energy source



Extract from **McLennan Magasanik Associates independent report** "Renewable Energy – A Contribution to Australia's Environmental and Economic Sustainability".

Total renewable cost envelope v's coal, gas and nuclear cost.

Geothermal Energy and Electricity Markets

International

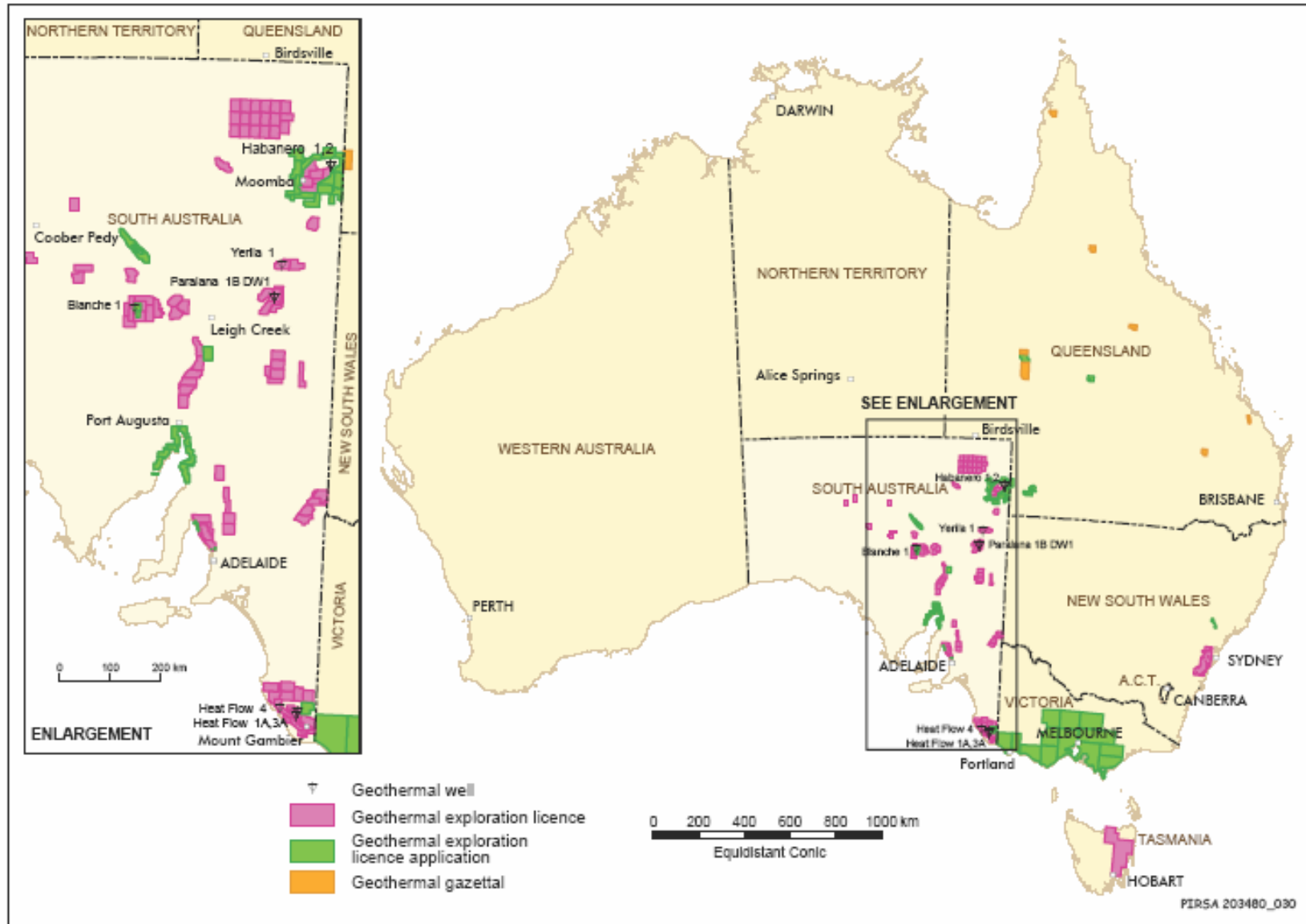
- The global renewable energy market (all forms) represents only 4% of electricity production but is growing at 25% per annum.
- Geothermal energy has largest technical potential of all renewable SOURCES (source: World Energy Assessment UNPD 2000).
- MIT Report suggests that EGS can provide 10% of US power by 2050
- Renewable energy policies with favourable targets and “in-feed tariffs” some over \$140 per MWh
 - European Union target of 20% by 2020
 - China target of 10% by 2020
 - India target of 10% by 2020
 - California target of 20% by 2017

Geothermal Energy and Electricity Markets

Australia

- Review of the Energy White Paper and current policy on renewable and low emission energy technologies – Emissions Trading and Renewable Energy
- Strong support for geothermal energy due to competitive, large scale, base load potential –SA Govt. PACE initiative, AGEG and recent Federal Govt. Geothermal Energy Industry Development Framework and Labor Party Policy and Program announcements (\$ 50 million for drilling – 5 projects and MLET?)
- Geothermal Energy potential is vast and could meet Australia's electricity needs for many centuries. The Paralana thermal resource potential alone is estimated at 13,000 MW
- ESAA estimates that 8% (around 3500 MW) of national demand could be met by 2030. Geothermal Energy Industry formulating a bold, yet realistic Vision with objectives for 2010, 2020 and 2030.
- The interconnected NEM in Australia is projected to require 5,000 MW of new capacity over the next 10 years (source: NEMMCO Statement of Opportunities).

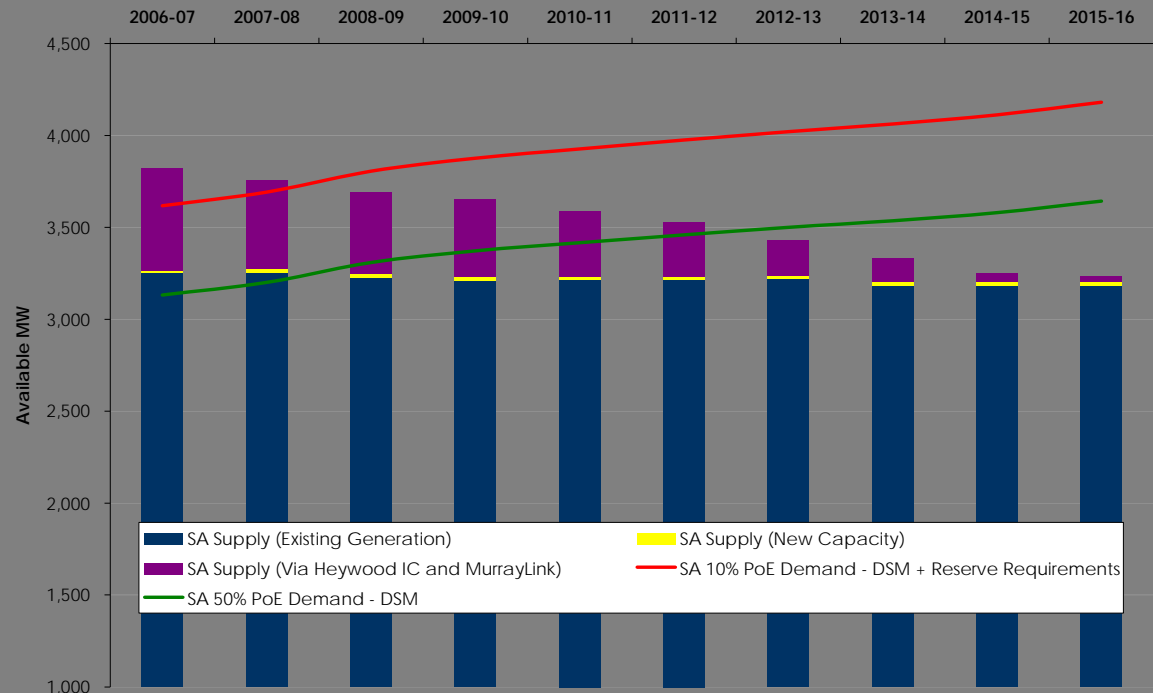
Australian Geothermal Licenses, Applications and License Application Areas



SA Electricity Market

- SA NEM region electricity demand to require at least 600MW of new capacity
- Does not include potential increase of over 400MW from Olympic Dam.
- Nor the effect of depleting Leigh Creek coal.
- Demand requirements will be between 600 – 1,500MW.

Forecast Supply
Demand Balance for
South Australia (source
SA ESIPC APR 2006)



SA Geothermal Projects

- Many players
- Large resources
- Exploiting different geothermal resources
 - Hot Rock plays
 - “Hot Water” plays
- Different market / connection plays



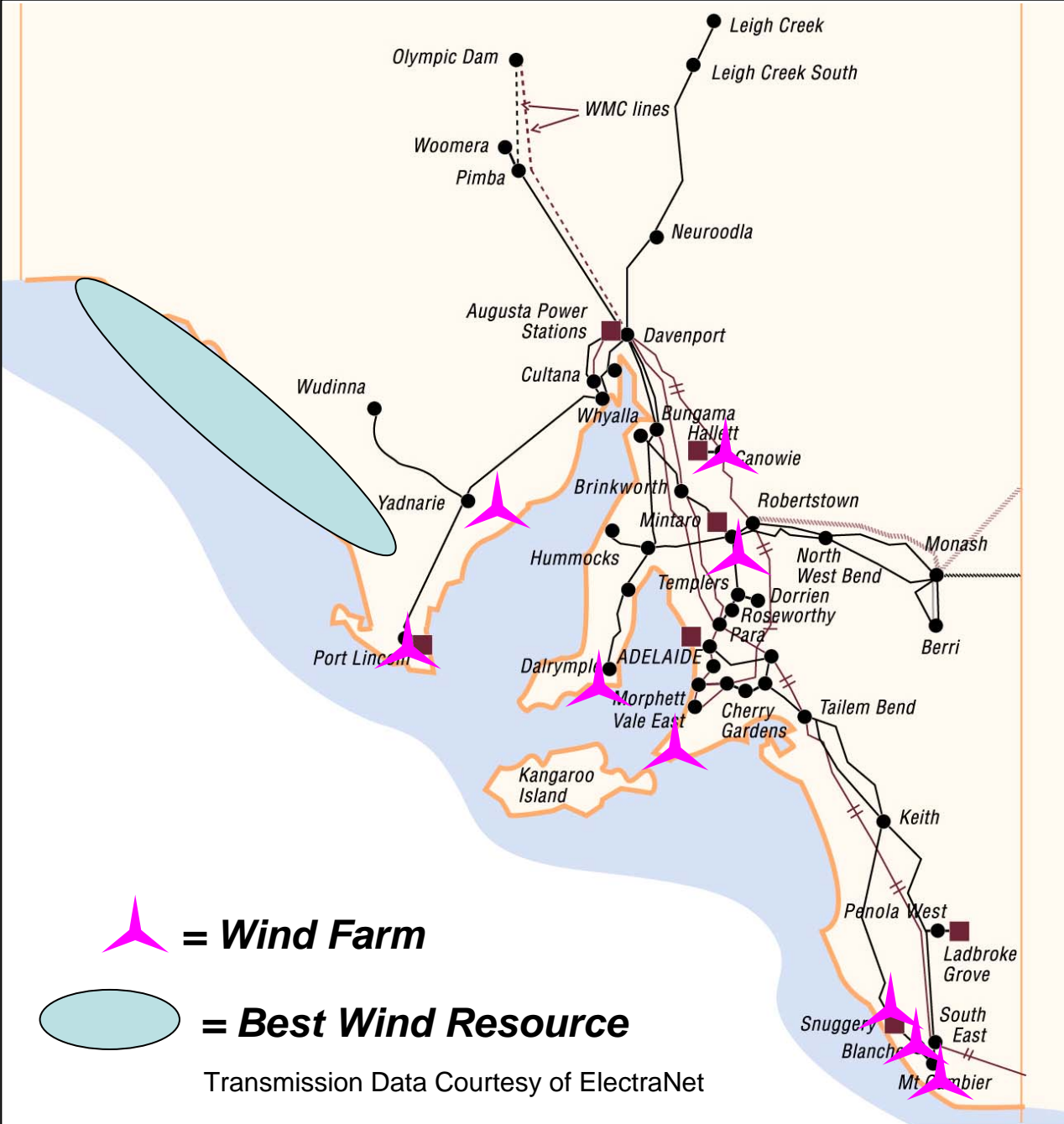
Geothermal Energy Project Economics

- Temperature (differential, quality and type of resource)
- Drilling Costs (depth, size, geological formation)
- Energy Flow Rates (volume, energy transfer)
- Plant Capital Costs and related efficiencies
- Connection and Access to markets
- Operating Costs
- Economies of Scale/Production
- Revenue/Product Pricing in a Competitive Market
- Regulatory Regime – carbon pricing

- **Critical Project Parameters are Revenue, Capital Costs (drilling, plant, connection) and Thermal Resource (temperature differential, volume and flow)**

Network Access & Connection

- Transmission Costs
- Transportation losses
- Margin Loss Factor
- System Stability
- Development Approvals, Licensing, Easements and Permits
- Network Capacity at connection point



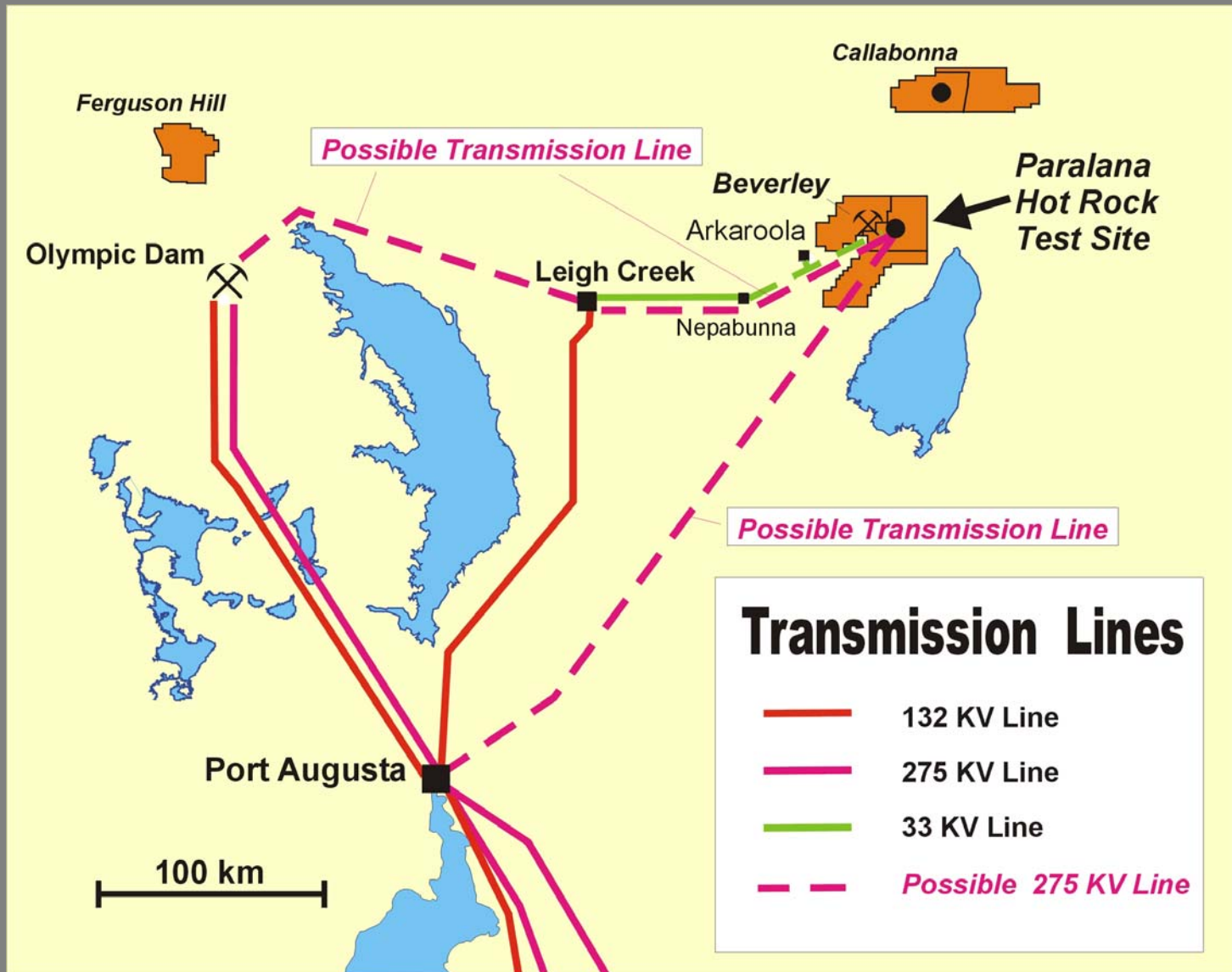
Electricity Market & Network Issues

- Proximity to market – network connection costs – 132kV or 275kV for large scale and/or distant locations
- Network Capital Costs – target around 10% to 15% of total project capital costs.
- Market constraints – local, regional, interstate transmission and market operations
- Marginal Loss Factors and Revenue
- Market – on-grid or off-grid pricing
- Development & Scaling Up
- New Entrant Pricing – SA combined cycle gas

Summary – Geothermal Energy Economics

- Geothermal Energy Projects have the potential to provide very cost competitive electricity generation
- The Australian NEM is competitive market but it is characterized by loosely interconnected regional markets – many constraints
- Economics of Geothermal can be clearly assessed but are very project specific – resource and location
- Project optimization process needed to deliver competitively priced product to market – LRAC c.f. New Entrant Price
- Costs include the cost of production, delivery (transmission) and sale to competitive market – “need to understand the market”
- Near term horizon – Geothermal requires a form of carbon pricing mechanism to be viable.

Paralana Commercialization Plan



Paralana Commercialization Plans

- Staged local expansion from 7.5 MW to 30.0 MW (from end 2009) – network capital costs range between 8% and 10% of total capital costs – uniquely positioned with a willing potential customer at “off grid” prices
- Realistic large-scale, long term plans over 15 years for 520 MW of power generation, incorporating market digestion, competition from geothermal/traditional sources and the cost of delivery to market (transmission costs) to the “on grid” market (NEM)
- Connection to the SA power system at Port Augusta and/or Olympic Dam, via a “meshed” 275 kV transmission network or individual double circuit 275 kV transmission lines - unique opportunity for meshed network community benefits leading to lower project costs.
- Competitive network capital connection costs range between 10% and 13% of total project costs (potentially as low as 5%)

Challenges for Australian EGS Projects

- Securing a quality site – the three locations – optimizing economics in a competitive market.
- Confirming the quality of the potential resource – temperature differential, stress regime / permeability.
- Deep drilling of wells – well design, drilling rig availability and costs.
- Establishing long-term circulation between injection and production wells -permeability, fracturing, flow rate.
- Integration of above-ground generation plant with below-ground thermal resource.
- Establishing reliable power plant output and up scaling.
- Electrical connection (transmission) to the National Electricity Market.

Summary

- Petratherm's key strength lies in its approach to “exploration for heat” and its commercial assessment of projects – understanding the “three locations”.
- The approach has resulted in a portfolio of quality projects in Australia and Overseas – first mover in Spain for “Hot Rocks”.
- Petratherm's unique HEWI model has the potential to concurrently and substantially reduce costs and risks – also reducing the time for delivery
- Petratherm has, in its Paralana Project, clear commercial and competitive advantages with a willing potential customer at “off grid” prices and a realistic long term commercialization path – unique path to commercialization
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Thank You



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