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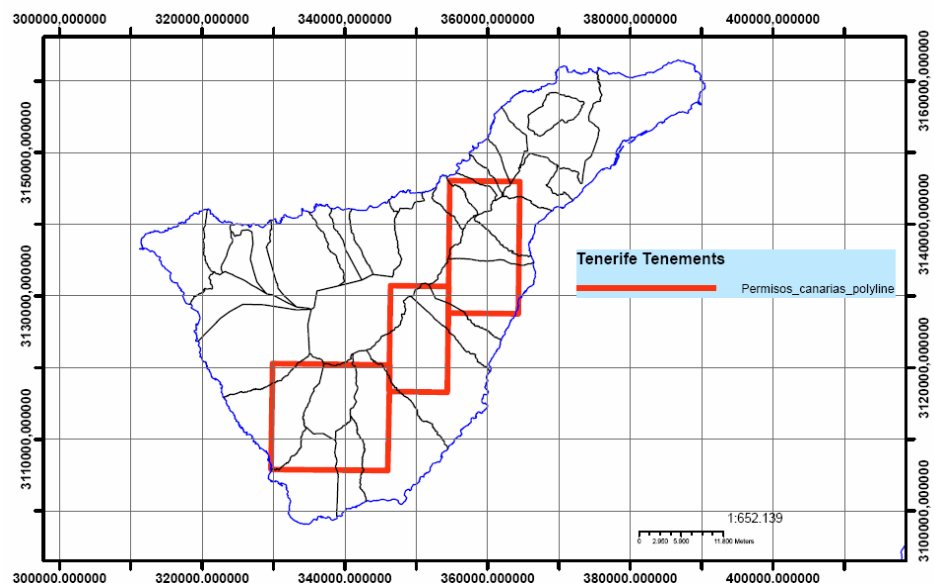
PETRATHERM LIMITED
ABN 17 106 806 884

Two New Licences for Tenerife conventional geothermal project

Petratherm's three GELs cover most prospective areas

Petratherm (ASX: PTR) is pleased to announce that it has secured two new Spanish geothermal exploration licences (GELs) for the Company's conventional project on Tenerife – the largest of the seven island archipelago that makes up the Canary Islands off the west coast of North Africa.

The Company was granted the two new GELs following an encouraging preliminary assessment of the Tenerife project, which indicated the possibility of a more extensive thermal resource than that originally mapped, capable of supporting a larger project. The Company now has three licences that cover areas on Tenerife that are considered to be the most prospective for development of geothermal power (Refer Map below).



Map - Petratherm GELs – shown in red – two new GELs are southern GELs.

The Canary Islands are well known for their volcanism and are considered excellent sites for exploiting conventional geothermal technology. The local energy market provides a very attractive pricing regime and considerable growth potential. Conventional geothermal projects are commercially established in many parts of the world accounting for more than 10,000 MW of installed power generation capacity (greater than six times the average capacity of the state of South Australia).

Tenerife Project – volcanic thermal resource, large market and attractive prices

Very high temperatures (over 300°C) at relatively shallow depths of around 2 kilometres are often found in active volcanic geological settings analogous to those of the three GELs shown in the previous Map.

Tenerife has a permanent population in excess of one million. During the peak tourist season the population can exceed 1.5 million, placing large demand on peak power generation that can exceed 1000 MW. The Island has substantial transmission infrastructure within close proximity of Petratherm's three GELs.

Power consumption on Tenerife has grown substantially over the past 20 years, due to the large population and tourism growth. Existing power generation is mostly dependent on very expensive fossil fuels from fuel-oil and gas-oil, producing very high carbon dioxide emissions.

The award of the two new adjoining geothermal exploration licences complements the prior award of a GEL in Tenerife and is another step in the company's strategy of developing a portfolio of geothermal projects in commercially attractive jurisdictions, across the full spectrum of geothermal energy supply opportunities.

Conventional Geothermal means Lower Risk and Earlier Development

Petratherm's Tenerife Project provides a major opportunity to develop a conventional geothermal power project (rather than an engineered geothermal system (EGS)) with minimal associated technical project risk with an attractive market that is focused on the development of sustainable energy alternatives to imported fossil fuel sources.

Lower costs and risks (compared with EGS projects) of this project arise from two key factors, namely;

- The process for extraction and conversion of the heat is well known and understood, with considerable project development, drilling and plant operation experience and technology readily available around the world.
- Such thermal resources, although typically smaller in overall size than EGS resources, are of very high quality, with naturally formed reservoirs and very high temperatures, greater than 300°C, at depths of around 2 kilometres

Petratherm's GELs have been carefully selected after extensive study, to cover the most attractive geology for geothermal power generation in proximity to transmission infrastructure.

Tenerife Work Program Underway

Exploration work on Tenerife is already underway and involves geochemical assessment of thermal waters to ascertain fluid temperatures at depth. This will be followed with magnetotelluric surveys that will map out subterranean hot aquifers and identify any shallow magma sources prior to test drilling.

Spanish Portfolio Expanded to Five

The Company has expanded its Spanish project portfolio to five projects that include the Madrid, Barcelona, Tenerife, Almazan and Gran Canaria projects. Geothermal Exploration Licenses (GELs) have been issued for all projects with only the Barcelona GELs pending.

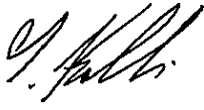
Petratherm's Spanish ventures have attracted significant interest from a number of key groups including European energy companies, renewable energy groups and Spanish central and regional government departments.

The Company has a significant first mover advantage in one of Europe's fastest growing economies. With five high grade geothermal permits in Spain, the first awarded in the country, Petratherm is well positioned to lead the development of geothermal energy project implementation in Spain.



Figure Petratherm's Manager for Spain, Raul Hidalgo, surveying historical geothermal test wells in the Canary Islands.

Yours faithfully

A handwritten signature in black ink, appearing to read 'T. Kallis', written in a cursive style.

Terry Kallis
Managing Director

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