

9 September 2008

ASX Code: PTR

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

Geo-Madrid District Heating Project - Well Re-entry Yields 30% Cost Savings

Petratherm is pleased to announce very positive results and major cost savings from the recent re-entry inspection of the two existing wells at the Geo-Madrid 8 MW (thermal) district heating project site (refer aerial photos overleaf).

30% saving in capital expenditure improves project economics

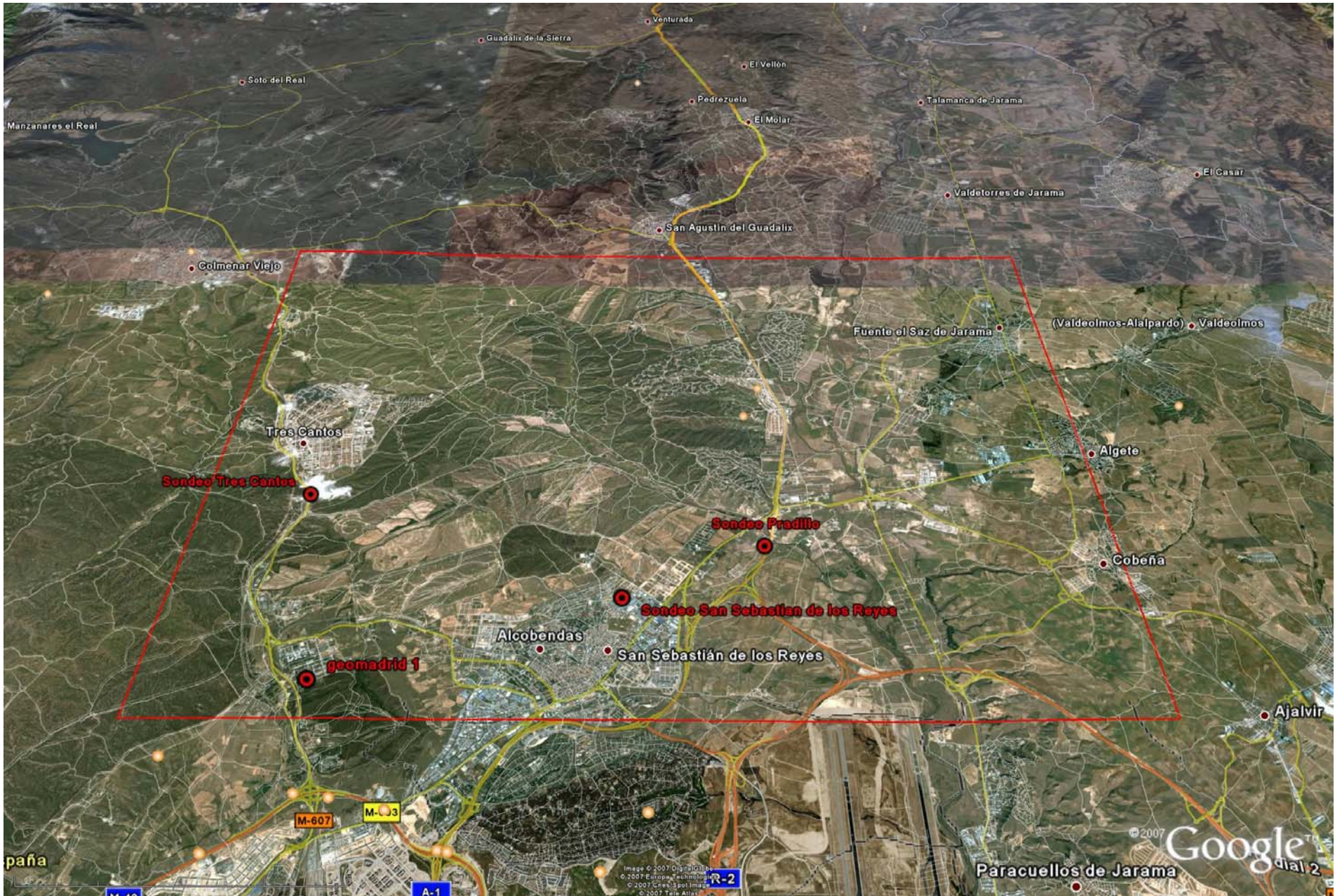
The inspection program confirmed the structural integrity of one of the wells and its capability to be used as an injector well as part of a doublet system – resulting in the need to only drill one new well and a 30% saving in total capital costs (Euro 4 M or AUD\$6.6 M).

Together with confirmation of the original project parameters as conservative, the need for only one new drill hole, has resulted in the project economics being re-assessed with an expectation now of an internal rate of return of around 20% and a payback period of six years – demonstrating a robust and high return geothermal energy project.

Key Project Parameters – Conservative Assumptions

The latest project key parameters and assumptions for Geo-Madrid are summarized below:

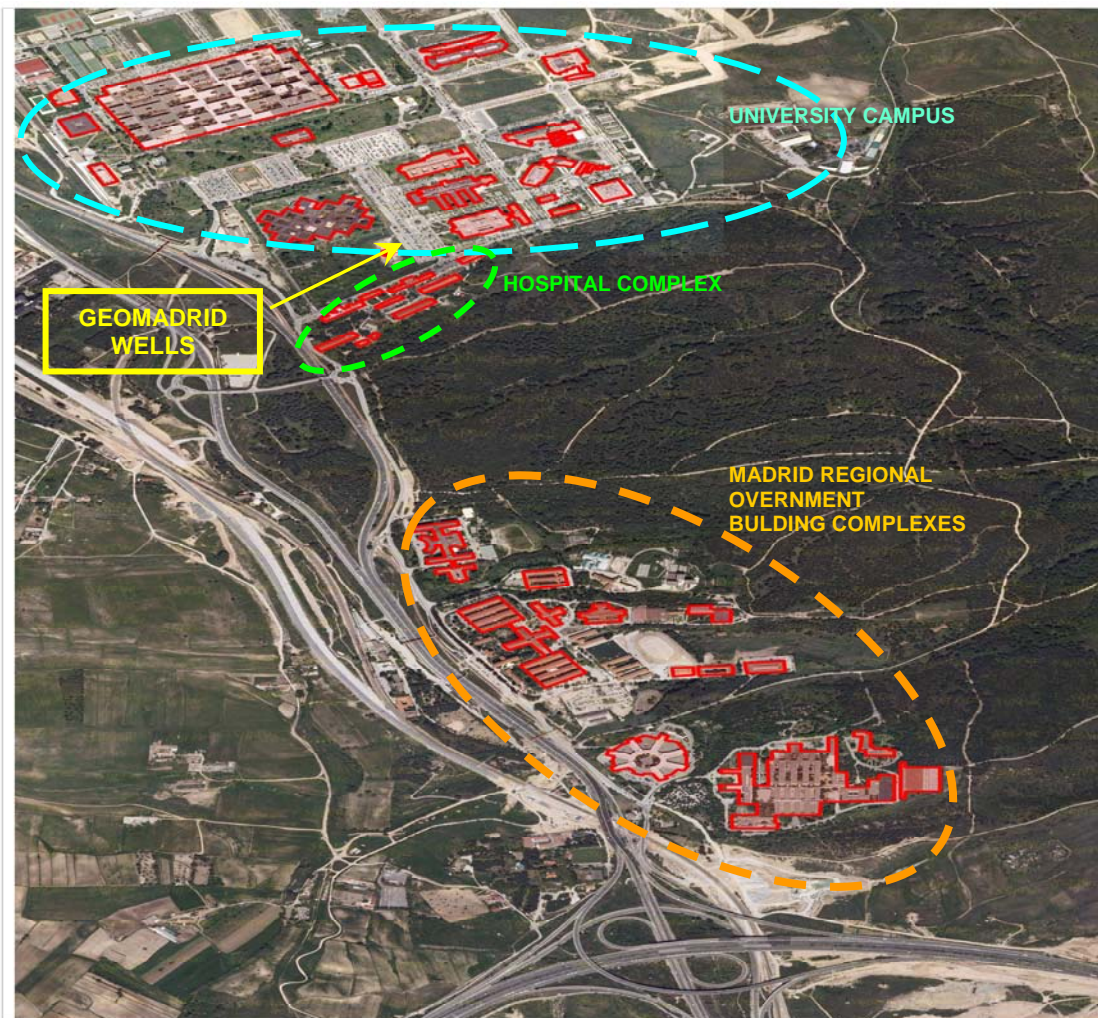
- Reservoir depth at 2 kilometres and reservoir thicknesses of between 200 and 800 metres;
- Temperatures at depth of at least 75°C;
- Flow rate of 200 cubic metres per hour;
- Drilling capital expenditure of Euro 4.8 M or AUD\$8.0 M;
- Plant – heat exchanger - capital expenditure of Euro 1.8 M or AUD\$3.0 M
- Reticulation & substation capital expenditure of Euro 3.1 M or AUD\$5.2 M
- Total capital expenditure of Euro 9.7 M or AUD\$16.2 M
- Annual heat energy production of at least 45,000 MWh
- Heat energy sale price (minimum) per MWh – Euro 45 or AUD\$75



Significant upside potential for the 8 MW Geo-Madrid Project

There is significant potential for further upside in the Geo-Madrid project through the following opportunities:

- Increased demand with the development of two new building complexes – expanding the annual production and sales to 54,000 MWh from the doublet system;
- Reduction in per MWh reticulation costs with larger demand and no retro-fitting costs for new buildings;
- Increased sale price per MWh due to the increased cost of alternate heating sources – potential to perhaps double the sale price of heat output; and
- Potential for energy efficiency subsidies associated with improved energy use in buildings



The aerial photo above shows the target building complexes that the district heating project will service. Two major customers are the University (Autonomous) and the Madrid Regional Government

District Heating Potential across Madrid Tenement is estimated at 150 MW

The Geo-Madrid 8 MW capacity GDH project is an exciting development for Petratherm Espana and the application of similar projects across the Madrid tenement (20kms by 20kms) is being assessed. The Company estimates that the potential district heating resource across the tenement to be equivalent to 150 MW in capacity or almost 20 times the Geo-Madrid project size.

Feasibility Assessment well underway – due in 5 months

The next steps in the Geo-Madrid GDH project to be undertaken over a period of five months include:

- Application for a change of the existing license from exploration to investigation to allow for drilling operations;
- Development of an environmental impact study (EIS) to cover the expected drilling operations;
- Securing a rig to drill any required deep (up to 2,000 metre) wells;
- Development of an EIS to cover the above ground geothermal plant and heating distribution grid to the building complexes;
- Confirmation of final demand and GDH system design (plant and distribution system);
- Detailed costing and contracting for above ground equipment and heat distribution system; and
- Sale of product to customers (sales agreements).

The Company currently estimates that construction of the Geo-Madrid GDH project could commence by November 2009 with geothermal heat production, and project revenues flowing by July 2010.

The Company has received a very favourable initial reaction from relevant Regional and Federal Government departments and is confident of continued support from this sector.

The Company is evaluating potential partners for this project, in particular their expertise and financial capabilities.

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