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WELL INSPECTIONS PROVIDE DEEP COST CUTS

FOR PETRATHERM'S SPANISH HEATING PLANS

Initial groundwork for plans to heat part of the Spanish capital, Madrid, with hot water mined deep underground has delivered an unexpected fillip for its Australian developer, with overall project costs slashed by nearly 30%.

Following detailed inspections of two existing geothermal wells, Adelaide-based Petratherm Limited (ASX code: "PTR") announced today that one of the wells is suitable to become an injector well for its 8 megawatt thermal district heating project – reducing overall project costs from nearly A\$22.8 million to an estimated A\$16.2 million.

"We had assumed that we would have to drill two new wells to commence this project, but the confirmation of this well's structural integrity has given a tremendous boost to the project's overall economics," Petratherm's Managing Director, Mr Terry Kallis, said today.

"Together with confirmation of the original project parameters as conservative assumptions, we have been able to rewrite our forecasts to provide rates of return of around 20% and a payback period of just six years - extremely sound for a geothermal project," Mr Kallis said.

Petratherm aims to commence construction of the Geo-Madrid District Heating Project by November next year, with first sales of "district heating" expected by July 2010.

The project, 25 kilometres northeast of Madrid, will initially generate 8 megawatts (MW) of thermal energy to meet the needs of seven nearby building complexes, including a university, a hospital and a retirement village.

Findings from a pre-feasibility study have confirmed the presence of geothermal reservoirs of 200-800 metres thick about 2 kilometres underground, producing temperatures of at least 75° Celsius and flow rates of 200 cubic metres per hour.

The study estimated that the two wells could produce at least 45,000 MW hours of thermal energy per year – enough to support the heating needs of 4,000 households, and reduce annual CO2 emissions by around 20,000 tonnes.

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“The premium on sources of clean energy in Spain at the moment has the potential to further lift our sales price significantly, while the project could also benefit from government subsidies associated with improved energy use in buildings,” Mr Kallis said.

“In addition, the local university is planning to develop two new “green” building complexes, which could expand production and sales from our initial two-well system to 54,000 MW hours per year,” Mr Kallis said.

The latest well inspections form part of a comprehensive feasibility study, which Petrathem Espana expects to conclude in five months’ time.

The study will also include detailed environmental impact assessments, license arrangements for drilling, designing of plant and distribution systems, sales agreements, and the securing of a drill rig to drill any additional deep wells up to 2 kilometres depth.

“We have received a very favourable reaction from relevant regional and Federal Government departments for this project, and are confident of strong continuing support from the political sector,” Mr Kallis said.

“We are also assessing the district heating potential of several other sites across our 20 by 20 kilometre Madrid tenement, where initial findings point to a potential annual resource of around 150 MW – or almost 20 times the size of the Geo-Madrid project,” he said.

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