

ASX Release

15 February 2011

ASX Code: PTR

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PETRATHERM LIMITED
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Correction - International Resource Journal

Please find attached a corrected copy of the article published in the International Resource Journal.

An error occurred on page 6 duplicating Paralana content and omitting Spain information.

Yours faithfully

Terry Kallis
Managing Director

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The information in this report relating to geothermal exploration results and geothermal resources is based on information compiled by P.W. Reid, a full time Petratherm employee. Mr Reid has sufficient experience in the style of geothermal play under consideration to qualify as a Competent Person under the Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008) edition. Mr Reid consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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International Resource Journal

Attached is a copy of a recent article included in the highly regarded International Resource Journal (IRJ) based in London, U.K.

The article on Petratherm features in the IRJ's recent special review of alternative energy technologies.

The article summarises the Company's business strategies and projects in Australia and Spain.

Yours faithfully

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2 The next big breakthrough for geothermal

**PETRATHERM LTD'S
PARALANA PROJECT**



There are barely any other companies in Australia that can do commercially successful, emission free, geothermal energy projects like Petratherm Limited (ASX: PTR), the South Australia-headquartered company with advanced projects in both Australia and Spain. Plenty are trying, but few have strong joint ventures in place to put such projects together, and even fewer have garnered the partner and governmental support to rival Petratherm.

“OUR APPROACH to exploration combines commercial and technical to come up with good projects. We are able to bring quality offerings to parties— not just joint venture partners but also the governments,” Terry Kallis, Managing Director, tells *IRJ*.



"We're hoping that this year we'll differentiate ourselves from the pack."

In fact, there are just two other companies that have drilled a deep well and been successful, both using partners and receiving government grants akin to Petratherm. This is the story of how and why this company will be the one to watch in 2011.

Petratherm and Paralana

Sitting 600 kilometres north of Adelaide, adjacent to the Mt. Painter region of South Australia's northern Flinders Ranges, is Petratherm's flagship geothermal project, Paralana. The Petratherm board's extensive understanding of the area's geology sparked that initial interest in setting up the project, and the rest, as they say, is history.

"We first drilled a shallow well to about 500 metres and found that the tonnage gradient was quite good. We then drilled an exploratory well down to 1.8 kilometres and confirmed it was the right type of geology to develop, which is basically insulating rocks to keep the heat in," Kallis explains.

"We confirmed a good temperature gradient further down, then worked on getting some of the financial aspects together. We brought on a joint venture partner, Beach Petroleum, and brought on another joint venture partner later

called TRUenergy ["TRUenergy Geothermal"]."

Petratherm then received two government rights—one for \$5 million and one for \$7 million—to assist with the drilling. In late 2009, the company drilled a deep well, measured the temperatures and found that they were economic, and has since done a number of tests. The most recent of these tests was an injectivity test to make sure Petratherm could fracture the rock horizontally and crack a reservoir.

"We completed that test a few days ago and that basically shows that we can fracture the rock, so the next step for us will be doing a major fracture in a couple of months time," Kallis says.

"That will mean that instead of doing an exercise over a couple of ours using hot water under pressure, we'll have a 10-day program with hot water under pressure to create an artificial reservoir."

Following the 10-day program, the company will commence work on a second well to locate where the reservoirs are and circulate water between them with cold water down one and hot water and steam down the other. In order to assist with getting beyond work on these two wells, towards looking at building a plant and adding megawatts to a point where Paralana can be commercially demonstrated, Petratherm received a A\$63 million grant just over a year ago. At that



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point when Paralana is commercially viable—about 20 or 30 megawatts of development—the technology can be proven sufficiently that the company can go to securing necessary funding. Petratherm is on track to commence stage two, planned for February/March, and currently working on its second well—Paralana 2.

Meanwhile in Spain

There are two projects in particular which Kallis speaks excitedly of when asked about Petratherm's work underway in Spain, and the first is the company's Geo-Madrid Geothermal District Heating (GDH) Project, covering 330 square kilome-

tres in the north-eastern part of the city.

"Five wells have been drilled, four of those were done by the Spanish government and one by Shell. The first four are drilled to about two kilometres and the other is drilled to about 3.5 kilometres. We have all of the geological information about those," he says.

"We are able to use a site called Geo-Madrid, which has two wells. One of those is reusable and the other one isn't. We've been working with the federal and Madrid regional government, and a large utility."

The project will offer a zero emissions, sustainable and cost competitive alternative to



conventional gas boilers and product will be sold as heat to nearby buildings, including those of the government. Hinting that more good news is about to break any day now, Kallis describes the project as “well-progressed and relatively low-risk.” The company’s efforts there today are more concerned with making the project economics just so as a competitive heat solution, having already proved the effectiveness of the operation.

On the island of Tenerife, in a 50/50 basis deal with European power giant ENEL, in which ENEL can earn in 50 per cent, is Petratherm’s Tenerife project.

“One we’ve drilled a shallow exploratory well

and we’re comfortable for ENEL to earn that 50 per cent. They will drill a deep well that’s 100 per cent funded by them,” Kallis says.

“In addition to that the deal we have with ENEL covers other projects we may create that are electricity producing anywhere on the Iberian Peninsula.”

In acting as an explorer with ENEL in Tenerife, Petratherm has another valuable project underway and is playing to its core strengths as a company—and its proven ability to find “the hot spots.”

All eyes on Petratherm

Kallis says that Petratherm’s success at Paralana

in the next couple of years will mark a major breakthrough for the geothermal sector throughout the world. With Tenerife the company is working on demonstrating its ability to access rather low technology and exploration risk with high priced power, as well as helping to fund a lot of the other work it does. Its work in Madrid offers similar benefits where, as Kallis says, “it’s just about getting the numbers right.”

“We have tried to reduce company risk from being a one trick pony in our technology, development-type business. That has been important,” he adds. Supporting each impressive development that Petratherm has made, and likely will make, is its highly experienced executive team. It is a board and management with a history of successfully developing projects, not necessarily in geothermal alone but in other endeavours and in the renewable sector also. Kallis himself worked on developing the state of South Australia’s first wind farm some years ago now, and with its current projects, in particular Paralana, this team is readying to make a big step forward for geothermal.

“Paralana’s next major step will be in February/March with the fracture then the second half of the year will be drilling Paralana 3. In Tenerife, it’ll be the exploratory well and in Madrid subject to getting the economics right it could be building a production well in the second half of next year,” Kallis says.

HLB Mann Judd is proud to support Petratherm

We help with Company Secretarial, Accounting, Taxation and Audit services, and let exploration companies get on with the business of exploring. To find out how we can help you please contact Pierre Van Der Merwe – Corporate & Advisory Partner
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“In 2014, just watch us. Both here in Australia and in Spain we’ll differentiate ourselves and we expect some significant milestones to be achieved for the company.”

Petratherm spells good news for geothermal, Australia, Spain and their respective governments. There are not many companies who can master projects like these, but this one can, and in 2014 the world will see just how much more this company is capable of. **IRJ**

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**AS SEEN IN THE FEBRUARY 2011 ISSUE
OF THE INTERNATIONAL RESOURCE JOURNAL**