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ASX Announcement

New Conventional Geothermal Project in Spain - Tenerife in the Canary Islands

Petratherm (ASX: PTR) is pleased to announce the acquisition of an exploration licence for a new geothermal project in the Canary Islands. The new project is on Tenerife (Figure 1), the largest of the seven islands in this Spanish archipelago located off the west coast of North Africa.

The Canary Islands are well known for their volcanism and are considered excellent sites for exploiting conventional geothermal technology. 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).

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 newly acquired project area.

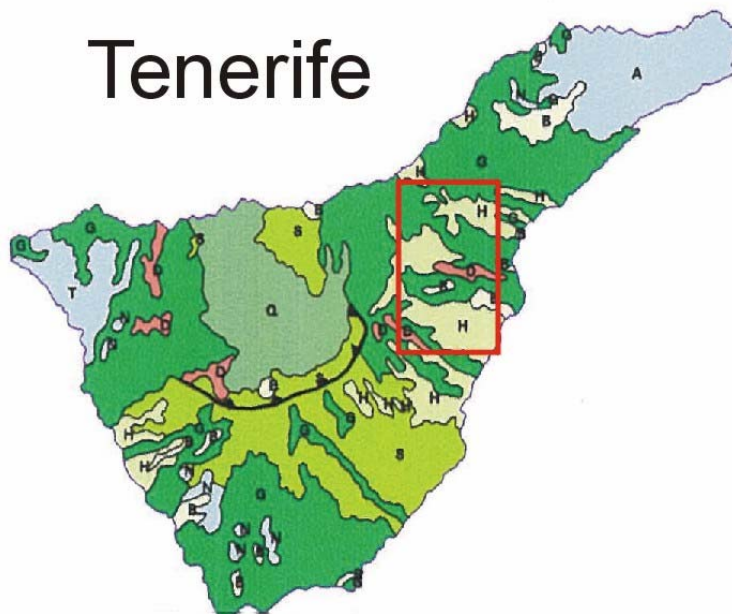


Figure 1 Location of Petratherm GEL on the Spanish island of Tenerife.

Tenerife has a permanent population in excess of 1 million. During the peak tourist season the population but can exceed 1.5 million placing a large demand on peak power generation. The island has substantial transmission infrastructure within close proximity of Petratherm's Geothermal Exploration Licence (GEL).

Conventional Geothermal means Lower Risk and Earlier Development

Petratherm's Tenerife Project provides a major opportunity to develop a conventional geothermal power project 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 of this project arise from three key factors, namely;

- The process for extraction and conversion of the heat is 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/potential than Enhanced Geothermal Systems, are of very high quality, with naturally formed reservoirs and very high temperatures, greater than 300°C, at depths of around 2 kilometres.
- The Petratherm licence area has been carefully selected after extensive study, so as to be positioned over the location of the most attractive geology for geothermal power generation in proximity to transmission infrastructure.

Project Portfolio expands to three – with further exploration underway

The new conventional Tenerife project brings Petratherm's portfolio of projects under Spanish jurisdiction to three, including the Madrid and Barcelona projects previously announced in February 2007 (Refer Figure 2).

Petratherm's strategy is to continue its geothermal evaluation program in the European Union with a focus on Spain. As a result of this ongoing effort, it is anticipated that the Spanish geothermal portfolio will increase to around 7 or 8 projects in the foreseeable future.

Petratherm's strategic move into Spain has secured a significant "first mover" advantage in one of the most attractive countries in the world for developing renewable energy projects.

This comes at a time when, across the world, there is a renewed focus on geothermal energy (Conventional and Enhanced Geothermal Systems) as a key part of the solution of the challenge of Climate Change.



Figure 2 Locations of Petratherm's existing geothermal project areas in Spain. Madrid Project is approximately 50 km north-east of Madrid, and Barcelona Project (Valles) is approximately 25 km north of Barcelona.

Petratherm España (Spain) SL

Petratherm España, formed late last year in Spain, will hold title to all the Spanish project GELs. Petratherm España is owned 93% by Petratherm Limited and 7% by Prehenita SL – a Spanish geological consultancy that maintains an extensive database and knowledge of Spain's geology covering both the energy and minerals sectors.

Petratherm España's office will open shortly in the central location of Madrid. In addition, Petratherm España has established close working relationships with the geology department of the University of Salamanca. Raul Hildago, a geologist with 20 years' experience who has been working closely with Petratherm for the past year, has been appointed as the Manager of the subsidiary Spanish company.

Spanish Regulatory Environment

The European Union (EU) member countries have enabling legislation that underpins a very favourable commercial framework for renewable energy, including geothermal energy. Spain is a signatory to the Kyoto Protocol, a member of the European Union (EU) and has demonstrated a strong commitment to the growth of renewable energy.

Spain is second only to Germany in terms of installed wind generation capacity. The Spanish Renewable Energy regulatory arrangements provide for long term (i.e. 20 years) “in feed” electricity tariffs for renewable projects with prices typically in excess of Euro €85/MWh or AUD \$140/MWh. This compares very favourably to the market in Australia where prices for renewable energy projects are typically in the range of \$75/MWh to \$85/MWh (inclusive of renewable energy certificates).

Spain Summary Statistics

- Population of 40.3 million
- One of the fastest growing EU member countries (around 3.4% p.a GDP growth)
- Electricity Market - fifth largest in the EU with annual growth rate of 5.0%, double the EU average
- Electricity Market – around 50% thermal (coal/gas), 25% hydro, 15% nuclear and 10% renewable.