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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: Hadmin@petratherm.com.au



PETRATHERM LIMITED
ABN 17 106 806 884

PETRATHERM SECURES EXCLUSIVE GEOTHERMAL AGREEMENT WITH CHINESE GOVERNMENT INSTITUTIONS

Petratherm is pleased to announce that it has established a landmark, exclusive Agreement with four key Chinese Government Institutions to undertake a cooperative Project to identify high quality geothermal energy projects in China.

The Agreement uniquely positions Petratherm in the Chinese market, thus enabling the Company to develop the very large geothermal resource potential available in China to provide base load, large scale, emission free sources of heat and electricity in the world's largest growing energy market.

The Cooperative Project will provide a major opportunity for Australian "know-how" to ultimately make a substantial contribution to global greenhouse gas abatement.

The Agreement will involve Petratherm working on the cooperative Project over the next twelve months with the following four Chinese Government Institutions:

- China Geothermal Energy Society;
- Chinese Geological Survey;
- Chinese Academy of Sciences; and
- China Institute of Geo-Environment Monitoring.

Under the exclusive Agreement, the Chinese Institutions will provide Petratherm with key geological and geophysical data and Petratherm will process the data utilizing its unique exploration and thermal modeling methods. Petratherm's expertise will be used, together with the consultancy services of Dr Martin Hand – an expert in heat flow modeling - from the University of Adelaide. (Refer Figure 1 – Chinese Heat Flow Map developed by the Chinese Academy of Sciences).

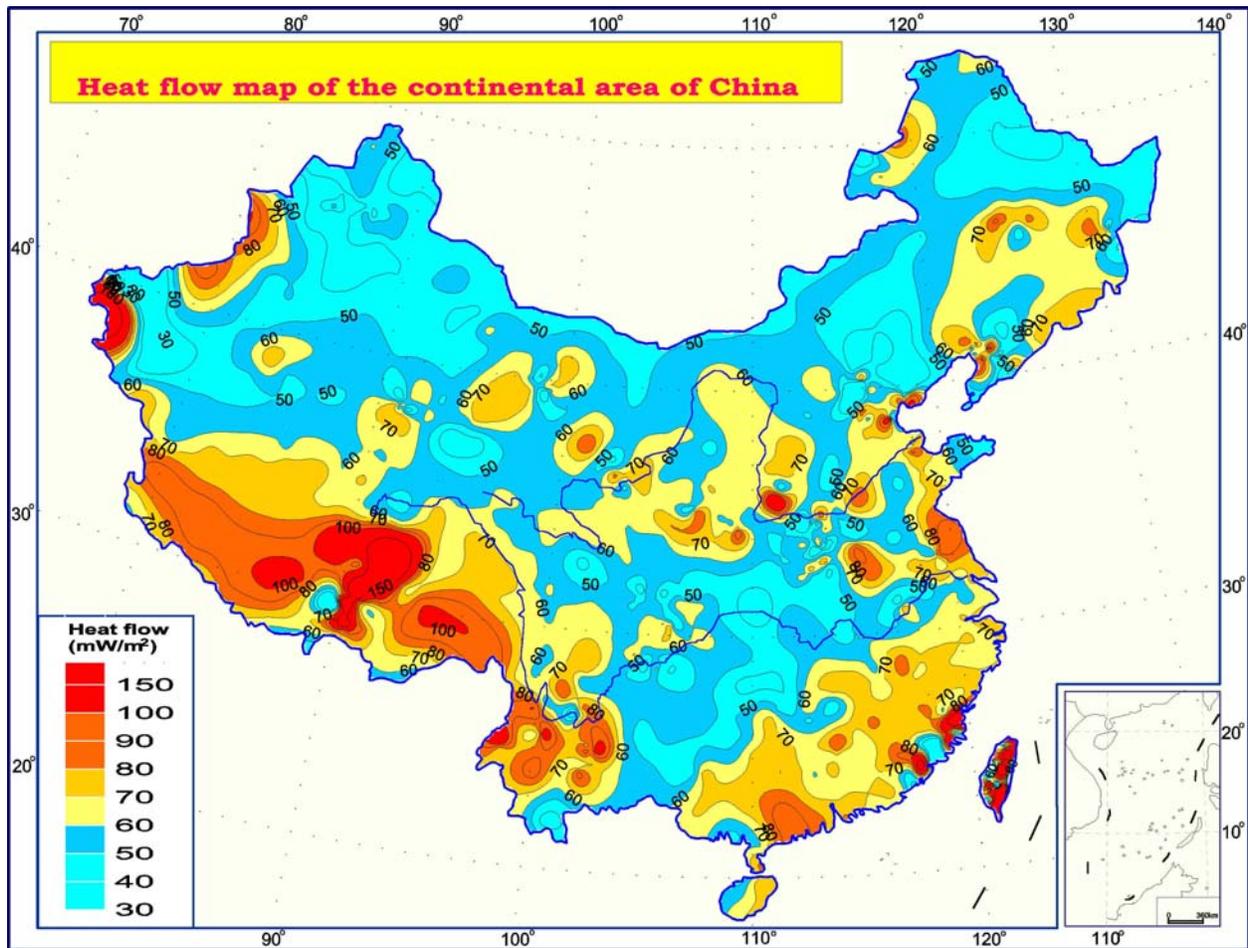
The joint work to be undertaken by Petratherm and the Chinese Government Institutions will be conducted in full cooperation and the intellectual property generated by the Project will be jointly owned by Petratherm and the Chinese Institutions. (Figure 2 – photo by Petratherm's Operations Manager – Peter Reid – taken during a recent visit to China).

The Agreement provides a right for Petratherm to bring in joint venture partners, as and when required by Petratherm, to assist in the further development of geothermal projects.

Petratherm has commenced preliminary discussions with interested potential joint venture parties.

The Agreement has been facilitated under the Federal Government's Asia Pacific Partnership (APP) inter-governmental program that involves the USA, China, India, South Korea, Japan and Australia. Late last year, Petratherm proposed the China Project and it was endorsed by the full APP committee in Korea. Under the APP program, the Federal Government has offered Petratherm a \$75,000 grant to assist in project related consultancy costs.

The Project will formally commence in early November and be undertaken over a twelve month period. Under the work agreement, a high level assessment of the geothermal resource potential of engineered geothermal systems in China will be established. The project aims to stimulate future cooperation and development of China's large engineered geothermal resource potential. It is anticipated several geothermal exploration licenses will be granted on completion of the study over high prospect sites.



From: Hu Shengbiao, He Lijuan and Wang Jiyang. 2000, Heat flow in the continental area of China: a new data set. *Earth and Planetary Science Letters*, Vol. 179, No. 2, 407-419.

Figure 1 - Heat Flow Map of China (source: Professors Hu Shengbiao, He Lijuan and Wang Jiyang. 2000 – Chinese Academy of Sciences – Institute of Geology and Geophysics)



Figure 2 - Boiling Springs, Yunnan Province – China.

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