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Spain Update

- *Grant submissions for geothermal projects are currently being sought by the Spanish federal government*
- *Tenerife project to finalise drilling target and drilling costs. Project attracts approaches from three Spanish companies seeking JV participation*
- *Madrid district heating project completes feasibility with potential JV partner*

Grants for geothermal projects

Submissions are now being sought by the Spanish federal government for geothermal energy projects. Both the Tenerife and Madrid projects are eligible and represent the two most advanced geothermal projects in Spain.

Tenerife conventional volcanic project

Petratherm España in conjunction with its 50% partner, Enel Green Power (EGP), continued to develop the Tenerife volcanic geothermal project. Three prospective drilling targets have been under consideration with a recent review of long term development potential indicating sites in the eastern and southern tenements being more attractive.

Work is underway with EGP to finalize the drilling target and costs for a slim-hole exploratory well. Concurrently, a preliminary design and cost for a deep production well is being assessed.

Tenerife provides a major opportunity to build a conventional geothermal project. The island has a permanent population in excess of one million that can increase to 1.5 million during peak tourist season - placing a large demand on peak power generation, in excess of 800 MW. The island also has substantial transmission infrastructure close to Petratherm España's exploration licenses.

Importantly, the island's current primary source of power generation is based on imported diesel resulting in very high priced electricity (above AUD \$140/MWh and potentially as high as \$240/MWh) with a significant carbon signature. The Tenerife project is aimed at displacing and/or avoiding the island's reliance on imported fuel sources while concurrently reducing the island's carbon footprint.

About Petratherm España and Enel Green Power

Petratherm Limited owns a 93% share of Petratherm España and the balance of 7% is held by Prehenita, a Spanish specialist geological consulting firm.

Enel Green Power (EGP) is a wholly owned subsidiary of the Enel Group which is the second largest listed electricity utility in Europe and is a world leader in geothermal power production.

EGP has over 4,500 MW of renewable energy power generation operating around the world including over 700 MW of conventional geothermal power.

The MoU between Petratherm España and EGP covers all electricity producing projects in Spain and includes the islands of Tenerife and Gran Canaria, and projects near Madrid and Barcelona.

The Enel Group owns Endesa, the incumbent Spanish utility on the island of Tenerife. Endesa is Spain's largest electricity utility and has franchise areas that cover Petratherm España's projects.

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 of the material herein in the form and context in which it appears.



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