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PETRATHERM LIMITED
ABN 17 106 806 884

2007/2008 Annual Report released

Petratherm is pleased to submit the Company's 2007/2008 Annual Report which details the significant progress the company has made during the year.

Major achievements for the period are outlined below.

South Australia - Paralana Geothermal Energy Project

- TRUenergy was added as a joint venture partner in the Company's flagship Paralana project under a farm-in agreement in which TRUenergy may earn up to 30% of the project for an investment of \$57 million (plus their equity share of project costs)
- The partnership with TRUenergy, together with the existing up to \$30 million JV with Beach Petroleum, means that for the next project stage a total of \$10.5 million per well will be provided through JV's and a Commonwealth Government REDI grant.
- A 2,000 HP LeTourneau 'Lightning' Drilling Rig has been secured through a drilling services contract with Weatherford Drilling International, with spudding of the first deep well expected in May 2009.
- Significant surface work including a reflection seismic study, a magneto-telluric survey and the installation of a passive seismic array were completed during the year and have contributed to establishing the final location of the Paralana 2 deep well and to understanding the characteristics of the Paralana resource.
- The Paralana project plan is on track to enable the Company to prove its unique HEWI model (that seeks to lower costs and risks) and to be the first to produce commercial EGS energy in late 2010.

Spain – Madrid and Canary Islands

- The Company's Spanish project portfolio was expanded from two to seven, with several projects located adjacent to the prime electricity consumption markets of Madrid and Barcelona
- Petratherm has secured first mover advantage in Spain with projects spanning conventional geothermal, EGS and direct heating technologies
- Excellent progress has been made on the Geo-Madrid Geothermal District Heating (GDH) Project with a recent re-entry inspection program of two existing wells confirming better than expected project economics. The Company estimates the Geo-Madrid project could commence construction by November 2009 with geothermal heat production and project revenues flowing by July 2010.

China

- During the period, Petratherm entered into an exclusive, landmark Agreement with four Chinese Government institutions and is aiming to secure geothermal exploration licenses over high value prospects. The Agreement uniquely positions Petratherm to exploit the very large geothermal resource potential available in China - providing base-load, large scale, emission free sources of heat and electricity in the world's largest growing energy market.

Corporate, Market, Industry and Regulatory

- Petratherm's internal skill base was expanded with the appointments of John King (Project Manager, Paralana), Victor Guerrero (Project Geologist, Spain), Brett Meredith (Tenement & Compliance Manager), Caroline Jasper (Public & Investor Relations Manager) and Wendy Blackeby (Administrative Assistant). In addition the Company secured, on an Australia exclusive basis, the services of Geothermal Explorers – a Swiss based expert EGS consultants to assist with the Paralana project
- The Company's Managing Director, Mr. Terry Kallis was appointed to a number of key industry leadership positions including Deputy Chair of the Australian Geothermal Energy Association (AGEA), member of the Australian Geothermal Industry Development Framework (AGIDF) project reference group and as AGEA's representative to the Australian Energy Market Commission's (AMEC) Stakeholder Advisory Committee to review the national gas and electricity market – in light of Climate Change and Renewable Energy policies.
- The Federal Government has established the \$50 million Drilling Fund that provides up to \$7 million per project to assist deep drilling activities. In addition a long-term framework for Climate Pollution Reduction Scheme and a Renewable Energy Target is being vigorously pursued by Government.

Calendar year 2009 represents a watershed year for the Company as major deep drilling activity will commence at Paralana, significant commercial development is expected to continue in Spain in particular the Geo-Madrid District Heating project. The Company also expects to enter the Chinese energy market, securing new geothermal exploration licenses during 2009.

Yours faithfully



Terry Kallis
Managing Director

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