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PETRATHERM LIMITED
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Madrid District Heating – Feasibility Study Commences

Petratherm is pleased to announce that the full feasibility study of its Madrid Basin Geothermal District Heating (GDH) Project (refer to the aerial photograph of Madrid tenement area – GeoMadrid site is in the left foreground) has commenced with the clearing of the site (photographs 1 and 2) and the pending re-entry of the two existing deep wells.

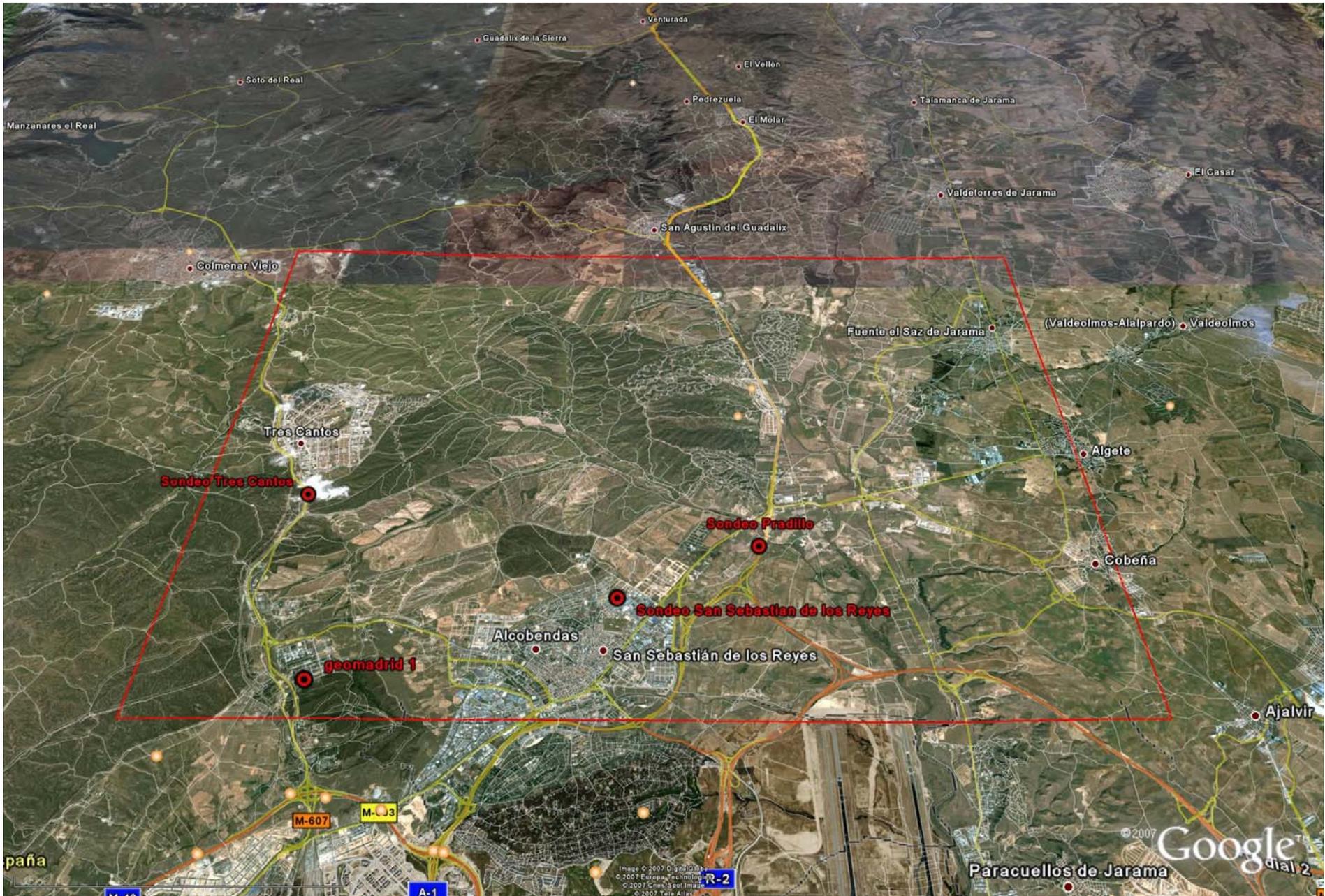
The preliminary re-entry of the two existing wells confirmed their structural integrity enabling full well inspections to be conducted.

Equipment to undertake the well inspections is en-route to the Geo-Madrid site from France. The full well inspection will provide a detailed assessment of temperature, flow, depth, structural and other technical parameters - critical inputs to the feasibility study.

The key project parameters that underpinned the recently completed pre-feasibility assessment of the overall Madrid tenement area included;

- Reservoir depths ranging between 1550 and 1600 metres;
- Reservoir thicknesses of between 200 and 800 metres;
- Temperatures at depth ranging between 70°C and 90°C; and
- Flow rates ranging between 200 and 250 cubic metres per hour.

In the case of the Geo-Madrid application the pre-feasibility assessment concluded, under conservative assumptions, that a well doublet could produce 8 MW of thermal energy capacity with an annual production in excess of 45,000 MWh (thermal) (to meet the needs of 7 nearby building complexes) and would result in an economic project with attractive returns. Recent discussions with the University located on the Geo-Madrid site confirmed plans to build two new “green” building complexes further enhancing the economics of the Geo-Madrid GDH project.





Site Clearance work underway at the Geo-Madrid doublet well location



Geo-Madrid well cleared for re-entry and well inspection and testing.

The next steps in the Geo-Madrid GDH project to be undertaken over a period of six months include;

- A detailed inspection (about to commence) of the two existing deep wells to confirm previous well logging information and to ascertain their suitability for use in production;
- Application for a change of the existing license from exploration to investigation to allow for drilling operations;
- Development of an environmental impact study (EIS) to cover the expected drilling operations;
- Securing a rig to drill any required deep (up to 2,000 metre) wells;
- Development of an EIS to cover the above ground geothermal plant and heating distribution grid to the building complexes;
- Confirmation of final demand and GDH system design (plant and distribution system);
- Detailed costing and contracting for above ground equipment and heat distribution system, and
- Sale of product to customers (sales agreements).

The Company currently estimates that construction of the Geo-Madrid GDH project could commence by November 2009 with geothermal heat production, and project revenues flowing by July 2010.

The Company has received a very favourable initial reaction from relevant Regional and Federal Government departments and is confident of continued support from this sector.

The Company is evaluating potential partners in this project, in particular their expertise and financial capabilities.

Yours faithfully



Terry Kallis
Managing Director

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