



Petratherm Ltd (ASX:PTR) - UPDATE

Hot rocks from Tapas to the Desert

\$0.32

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Capital Summary

Issued Capital	57.96 m ordinary 13.69 m options
Market Capitalisation (dil.)	\$19.78m
Share Price (20/11/08)	\$0.32
52 week low	\$0.29
52 week high	\$1.28

Cash (30/09/2008) \$3.69 m

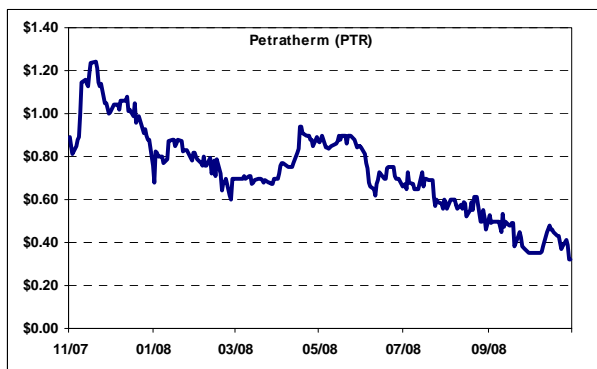
Directors

Mr Derek Carter	Chairman
Mr Terry Kallis	Managing Director
Mr Richard Hillis	Non-Exec Director
Mr Richard Bonython	Non-Exec Director
Mr Simon O'Loughlin	Non-Exec Director
Mr Donald Stephens	Company Secretary

Major Shareholder

Minotaur Exploration Ltd 31.81%

Share Price Graph (A\$)



Summary

Petratherm continues to differentiate themselves from other players on the Geothermal Sector by simultaneously progressing a diverse portfolio of projects.

The geothermal sector is still a high risk development area therefore a multipronged business model is a key strategic tool.

A staged development of the companies flagship project will reduce the need for an all or nothing capital program.

Key Points

- TRU energy have signed a \$57m farm-in deal for up to 30% of the Paralana Project.
- The Paralana JV partners each bring complimentary skills to the partnership:
 - Petratherm – geothermal exploration and market knowledge
 - Beach Petroleum – Deep drilling and fracturing experience.
 - TRUenergy – downstream energy market knowledge
- Drilling Rig contract with Weatherford Drilling International has been secured, the spudding of Paralana 2 Deep Well is expected to commence in May 2009.
- During 1Q FY09 exploration expenditure was \$2.835m of which \$2.473m was funded by Beach Petroleum (BTP)
- Re-entry inspection tests carried out on two existing wells at the Geo-Madrid 8 MW (thermal) district heating project site confirmed that capital cost savings of up to 30%, thus significantly improving project economics
- Petratherm has a portfolio of 11 geothermal energy projects in Australia, Spain and China
- The projects are both Engineered Geothermal Systems (EGS) and also Conventional geothermal projects. Products include both electricity and direct-use heat.
- A work program for exploration in Tenerife and Gran Canaria has been agreed with Sinclair Knight Merz – specialist conventional geothermal consultants. Activities are planned to commence in November 2008.

Projects

The Paralana Project is located approximately 600kms to the northeast of Adelaide and approximately 300kms northeast of the electricity transmission grid at Port Augusta and 280 kms east of Olympic Dam.

Paralana, (South Australia) (PTR 100%, diluting to 34%)

Since our last research note on PTR the most significant advances have been made on the funding and development of the Paralana Project.

The addition of TRUenergy to the joint venture project bolsters the downstream energy skill set.

A summary of the joint venture arrangements now in place for the Paralana Project include:

Beach Petroleum Farm-in (announced Jan 2007) for up to \$30M for 36% equity

- \$5M for drilling first well and stimulation, plus
- \$5M for drilling second well and stimulation – earns 21%
- After proof of HEWI concept is achieved Beach has an option to earn a further 15% by contributing an additional \$20M
- Plus equity share of project costs at every stage

TRUenergy Farm-in (announced Aug 2008) for up to \$57M for 30% equity

- \$3M for drilling first well and stimulation, plus
- \$3M for drilling second well and stimulation – earns 10% equity
- After proof of HEWI concept is achieved TRUenergy have an Option to earn a further 5% by contributing \$7M towards the development of the pilot plant stage that will be capable of providing 7.5 MW.
- TRUenergy has an option to earn a further 15% equity by contributing \$44 million towards the development of the 30 MW demonstration plant stage
- Plus equity share of project costs at every stage

Beach Petroleum, TRUenergy and Petratherm have complementary sets of skills and represent a formidable collaboration for the Paralana Project

With the securing of joint venture partners the next significant stage in the project development will be the drilling of the first deep well, beyond 3,500m.

A contract with Weatherford Drilling International has been signed and drilling is scheduled to commence in May 2009. The start date has been delayed due to the rig being damaged by Hurricane Ike in Houston. PTR has placed orders for key long lead time plant items.

Spain (100%)

Petratherm is advancing projects near Madrid and Barcelona. The Geo-Madrid project has potential for conventional style geothermal plays to provide district heating and Engineered Geothermal Sources (EGS).

Results from the recent re-entry inspection of the two existing wells at the Geo-Madrid district heating project site have revealed major cost savings. The well inspection confirmed the scope for one of the wells to be used as an injector well. Resulting in the need to only drill one new well and a 30% saving in total capital costs (€4 million or A\$7.7 million).

Based on the PFS results first construction could commence by November 2009, with geothermal heat production and project revenues flowing by July 2010. Total capital expenditure of €9.7 million or AUD\$18.8 million.

Modelling of the production possible from a well doublet with 8 MW thermal capacity has shown that annual production of around 45,000 MWh (thermal) is possible. This would be enough energy to support the heating needs of a town with around 4,000 households.

From its Spanish base Petratherm has ventured into the Canary Islands. The Tenerife project is a conventional geothermal project designed to exploit high temperatures at shallow depths. The project is also within close proximity to existing power line infrastructure.

China

- Petratherm has completed desktop analysis which has highlighted good quality geothermal target areas

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Date Prepared: *20 November 2008*

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