

CLEAN ENERGY FOR FUTURE GENERATIONS

Quarterly Report
31 March 2012

Quarter three highlights

Corporate

- > The Company held a general meeting of shareholders to approve options for Managing Director, Terry Kallis.
- > Terry Kallis appointed as Chair of the Australian Geothermal Energy Association (AGEA).

Paralana

- > Discussions with parties interested in potential collaboration in the Paralana Joint Venture continued, with the aim of completing the sub-surface fluid circulation system by the drilling of a second deep well into the fractured zone.

Clean Energy Precinct

- > Preliminary testing by independent renewable energy consultancy has revealed excellent wind and solar resources.
- > A new geothermal exploration license has been secured over the Clean Energy Precinct area.

Spain

- > The first phase of geophysical investigation in Tenerife as part of the GeotherCan project was successfully completed in March 2012, with an MT survey conducted by Petrtherm and the University of Barcelona.
- > Further interpretation of the data collected is ongoing and will help define the potential for an active geothermal system at shallow depth in areas that are well suited for future development. The results of the interpretation will aid planning of the second phase of the MT survey scheduled for the next quarter.

Review of Operations

During the quarter the Company initiated field operations within the GeotherCan Project on the volcanic island of Tenerife. The primary activity was the successful MT survey undertaken in Petrathern's tenements in order to evaluate the potential for a shallow geothermal system in areas favourable for a geothermal development.

The Company also focused on the proposed \$1.5 billion Clean Energy Precinct project in northern South Australia, with an independent assessment of the wind and solar resources at the Moolawatana site. The preliminary testing has revealed excellent results.

Petrathern has secured a new geothermal license covering the Clean Energy Precinct area.

Quarterly exploration and evaluation expenditure amounted to \$393,000 and included costs associated with the flow test and seismic monitoring. Funding under the Paralana JV amounted to \$65,000.

The Company had ongoing administration costs of \$422,000 during the quarter.

At the end of the quarter, the Company held \$1,916,000 in cash.

Projects

Paralana

Discussions with parties interested in potential collaboration in the Paralana Joint Venture continued, with the aim of completing the sub-surface fluid circulation system by the drilling of a second deep well into the fractured zone.

Clean Energy Precinct

Announced by Petrathern last December, the proposed \$1.5 billion Clean Energy Precinct (CEP) is a multi-faceted project that aims to combine gas, wind, solar and geothermal energy to supply base load, low cost, renewable power to meet the growing demands of mining developments such as Olympic Dam, Prominent Hill and Carapateena in northern South Australia.



Projects

Clean Energy Precinct cont'd

The CEP offers a key enabler to develop and monetise the large Paralana Geothermal resource.

A preliminary study evaluating the wind and solar resources at Petratherm's CEP has been undertaken for Petratherm by Garran Hassan Pacific, the world's largest independent renewable energy consultancy. The testing revealed excellent results, with wind speeds of up to 8 metres per second at 100m height which has the potential to facilitate a 300 MW wind farm. Preliminary assessments also indicate a world-class solar resource estimated at 20 megajoules per square metre daily.

Post the reporting period, Petratherm secured the geothermal rights over the CEP, with the geothermal exploration license GEL603. The new tenement includes the high heat generating granites of the Mt Babbage inlier. Whilst these granites are exposed or only buried below a thin cover and therefore lack any good thermal insulation to trap heat, heat production at some localities is exceptionally high and forward modelling indicates high temperatures in excess of 180°C may be present at economically drillable depths.

Petratherm is aiming to secure a competitive gas supply by accessing the Moomba to Adelaide gas pipeline which runs directly through the Precinct. The Precinct will initially concentrate on gas and wind power before expanding to solar and geothermal while these technologies develop as lower cost alternatives. Therefore, the primary focus will remain on resource assessment, generation mix, capital cost estimates, licensing and access to the electricity grid and gas pipeline connection.

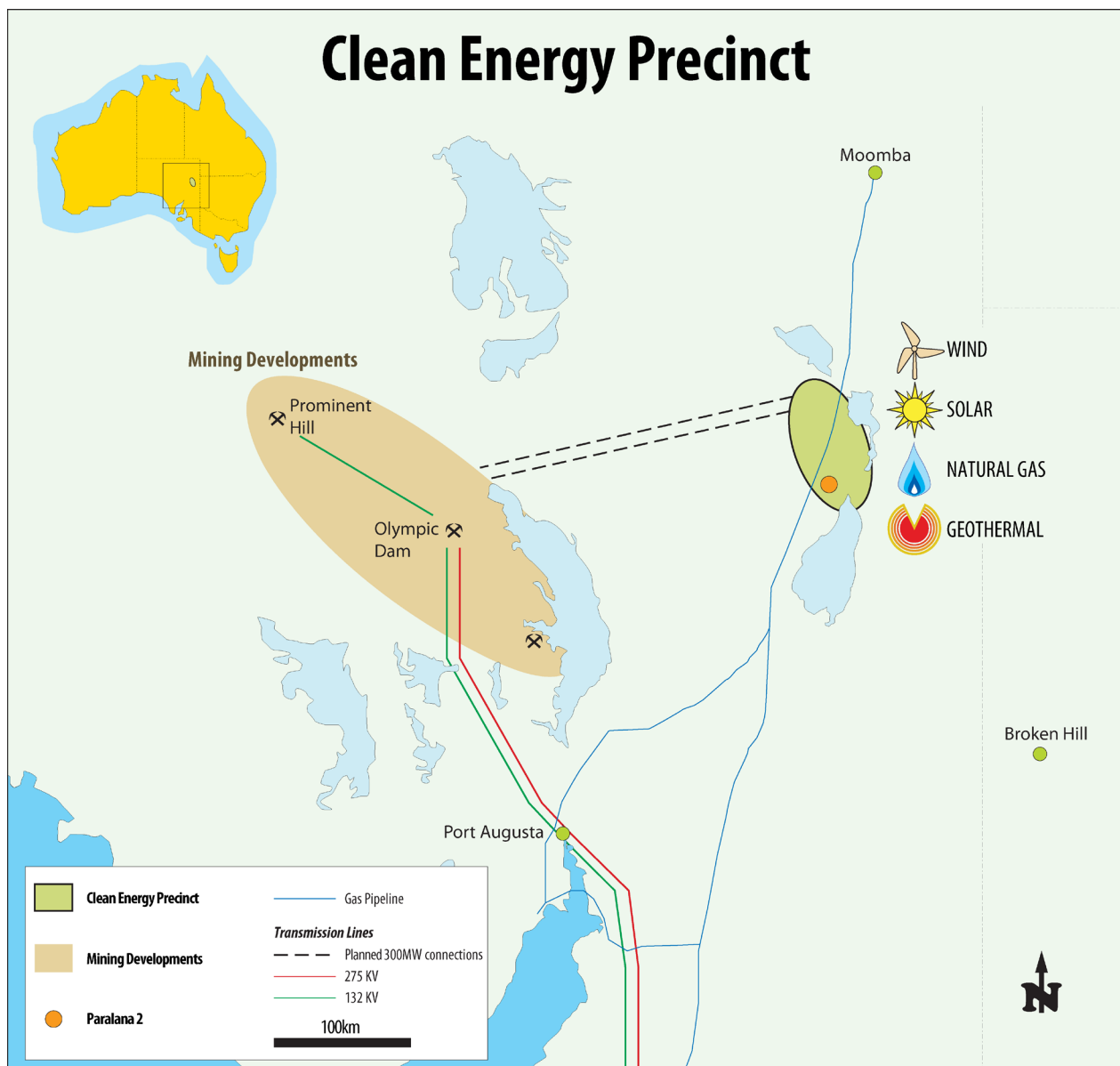


Figure 1 - Clean Energy Precinct location in northern SA and potential connections to major mining development areas

Projects cont'd

Clean Energy Precinct cont'd

The preliminary wind and solar results, together with the geothermal potential of GEL603 and the presence of a gas supply build on the recent independent testing of the Paralana Project. The results of the Resource Statement, released in December 2011, confirm the large potential geothermal resource available at Paralana for conversion to electrical power.

While the CEP is still in an early prefeasibility stage, the Company remains on track to combine new power generation facilities across gas, wind, solar and geothermal to eventually produce 600 MW of reliable, competitively priced electricity to meet anticipated demand from large mining developments in South Australia.

Located 50kms north of the Paralana geothermal project in far north SA, the CEP has exclusive access and geothermal rights to over 1,890 square kilometres of land for power generation, which Petratherm aims to use to deliver 600 MW of power to the electricity market as early as mid 2016.

There are ongoing encouraging discussions with potential investors from several large renewable and energy companies both locally and overseas who have expressed their interest in potential technology supplier and joint venture partner roles.

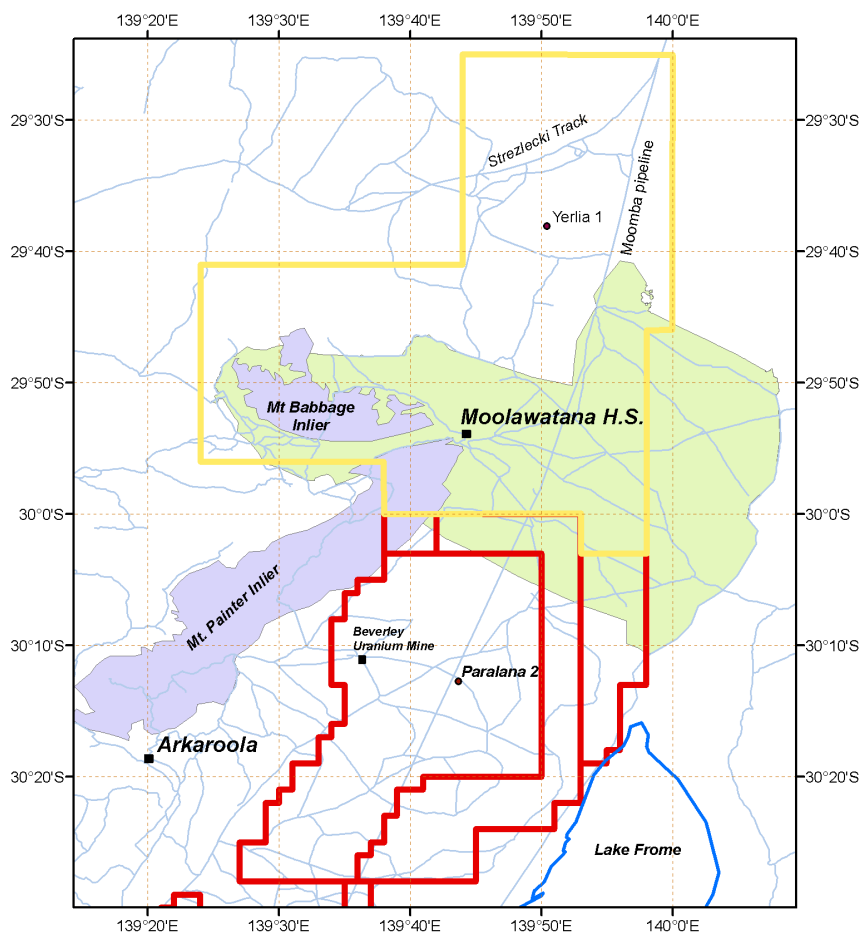


Figure 2 - Clean Energy Precinct and Paralana Area Locality Map. Clean Energy Precinct development rights area (green), Paralana License areas (red), new Moolawatana Geothermal License area (yellow)

Spain

In September 2011, a consortia led by Petratherm España was awarded AUD \$1 million (or €796,000) in subsidies to be used in a major geothermal exploration program across Spain's Canary Islands. The consortia, named GeotherCan, includes the following parties:

- > Petratherm España
- > Institute of Technology and Renewable Energy (ITER)
- > University of Barcelona
- > University of Laguna
- > Institute of Volcanology, Canaries (IVC)

As part of the GeotherCan project, Petratherm and the University of Barcelona successfully completed in March 2012, the first phase of a large magnetotelluric (MT) survey on the Island of Tenerife. This survey is designed to extend the mapping of a subsurface, hydrothermally altered, clay cap, such as is typically indicative of an upflow of geothermal fluid.

The clay cap was identified by historical geophysical acquisition and by government drilling. Petratherm conducted a subsequent MT survey, which enabled the Company to model in 3D the structure of the altered formations around the volcanic summit of Pico del Teide.



Projects cont'd

Spain cont'd

The present extension of the MT survey specifically aims to better defining the morphology of the clay cap on lower flanks of the volcano. This investigation will determine if the geothermal system has an expression at shallow depth in areas that are well suited for potential development, and if there is a better drilling target than previously identified.

The survey is to be conducted in two phases beginning with reconnaissance traverses that were completed in March 2012 to map the clay cap from the central volcanic cone to the lower coastal areas. These traverses will be followed by a second campaign, most likely in May/June 2012, to infill and expand in the areas which look the most promising for drill testing.

Processing and interpretation of the data collected is ongoing. The results of the geophysical interpretation will assist in planning the second phase of the MT investigation on the island of Tenerife scheduled for May/June 2012.

The GeotherCan project will include combined applications of geophysical, geochemical and geological methods to lead to the development of 3D models for the characterisation of geothermal resources in the sub-surface of the Canary Islands. The main areas of focus are located on the islands of Tenerife and Gran Canaria, specifically where Petratherm España holds geothermal exploration licenses.

Work continues on both the Canary Island conventional geothermal play and the Geo-Madrid heating project with interest shown from additional potential joint venture partners.

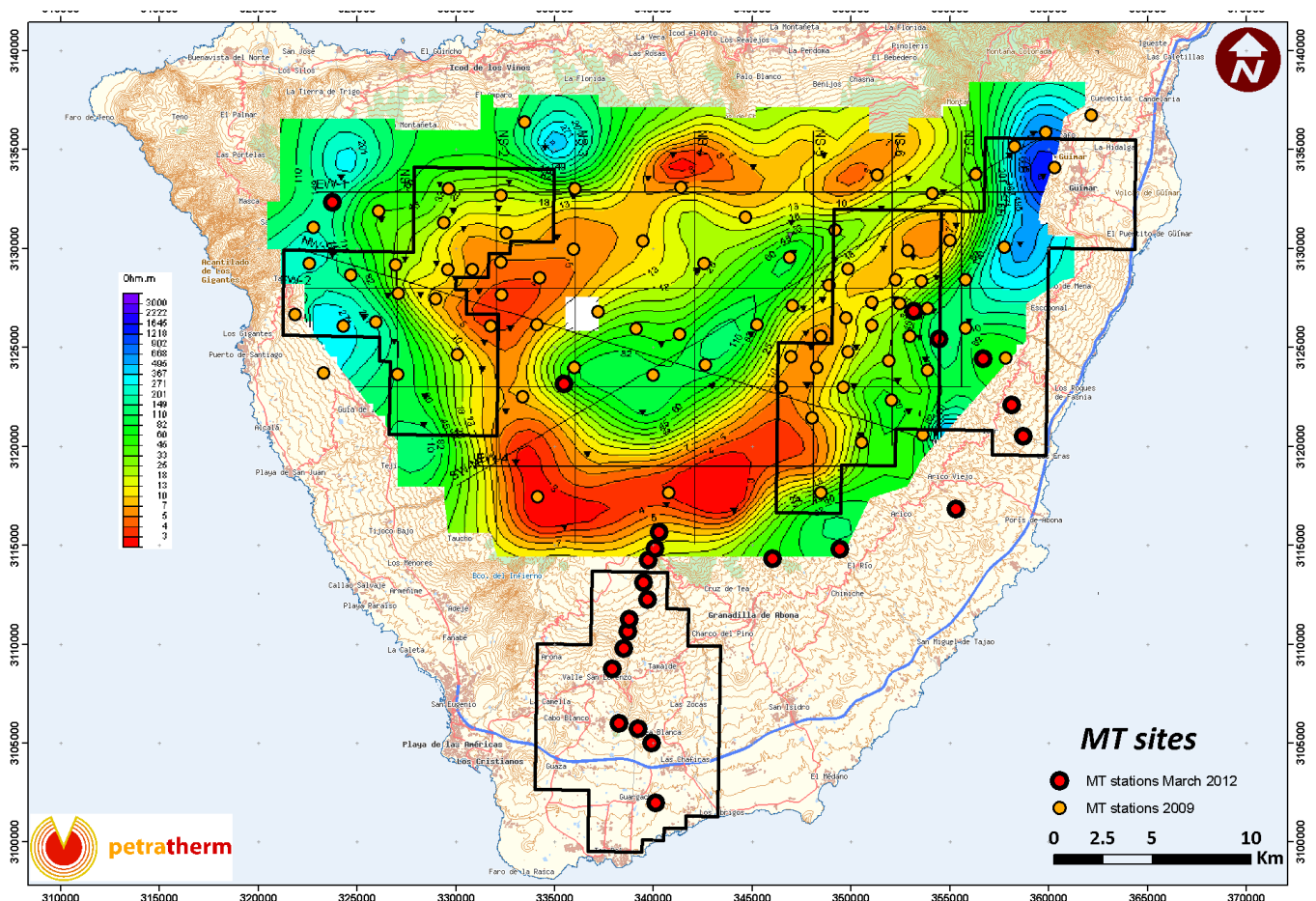


Figure 3 - MT pseudo-colour image slice of 500m above sea level showing circular (red) hydrothermal alteration clay cap, and location of new MT survey stations

Corporate information

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Chair

Derek Carter

Managing Director

Terry Kallis

Non Executive Directors

Richard Bonython
Richard Hillis
Simon O'Loughlin
Lewis Owens

Company Secretary

Donald Stephens
HLB Mann Judd (SA) Pty Ltd

Stock Exchange Listing

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Inside the Petratherm team

Managing Director

Terry Kallis

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Peter Reid

Reservoir Engineer

Ella-Maria Llanos

Project Geologist

Mathieu Messeiller

Business Accountant

Paul Smith

Office Manager

Elena McRae

Spanish team

Manager – Spain

Raul Hidalgo

Upcoming events

Industry events

For further information on forthcoming events in the geothermal sector visit the PIRSA website at <http://geothermal.pirsa.gov.au/news/events>

Website

Petratherm's website delivers regular information updates to shareholders and stakeholders

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Competent Person Statements

The information in this report that relates to Exploration Results is based on information compiled by Peter Reid, who appears on the Register of Practising Geothermal Professionals maintained by the Australian Geothermal Energy Group Incorporated at the time of the publication of this report. Peter Reid is a full time employee of the Company. Peter Reid has sufficient experience which is relevant to the style and type of geothermal play under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Second Edition (2010) of the Australian Code for Reporting Exploration Results, Geothermal Resources and Geothermal Reserves. Peter Reid has consented in writing to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information that relates to the Geothermal Resources Statement is an extract from a report compiled by Dr Graeme Beardsmore, who appears on the Register of Practising Geothermal Professionals maintained by the Australian Geothermal Energy Group Incorporated at the time of the publication of this report. Dr Beardsmore is employed by Hot Dry Rocks Pty Ltd, an independent consulting group that provides professional services to Petratherm Ltd. Dr Beardsmore has sufficient experience which is relevant to the style and type of geothermal play under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Second Edition (2010) of the 'Australian Code for Reporting Exploration Results, Geothermal Resources and Geothermal Reserves'. Dr Beardsmore has consented in writing to the inclusion of the Resources Statement as it appears in this report of the matters based on his information in the form and context in which they appear.