

CLEAN ENERGY FOR FUTURE GENERATIONS

Quarterly Report
30 September 2012

Quarter one highlights

Paralana

- > Petratherm lodged a \$13 million grant application under the Australian Renewable Energy Agency (ARENA) \$126 million Emerging Renewable Program (ERP) to fund half of the total costs of Paralana 3.

Corporate & Regulatory

- > Petratherm announced a capital raising by way of a non-renounceable rights issue.

Review of Operations

During the quarter the Company's primary focus was on funding matters relating to the Paralana Emerging Renewables Program grant application and the 1 for 3 Rights Issue.

Quarterly exploration and evaluation expenditure amounted to \$169,000 and included costs associated with the Paralana, CEP and Tenerife projects. Funding under the Paralana JV amounted to \$12,000.

The Company had ongoing administration costs of \$252,000 during the quarter.

At the end of the quarter, the Company held \$911,000 in cash.

Projects

Paralana

Through the Australian Renewable Energy Agency's (ARENA) \$126 million Emerging Renewables Program (ERP), Petratherm submitted an Expression of Interest to seek funding of approximately half of the next stage of works at Paralana. This was accepted by ARENA, and during the period, the Company completed a major grant application that was lodged in late September 2012. The grant is seeking \$13 million to assist funding of the next critical activities at Paralana budgeted at costing approximately \$26 million.



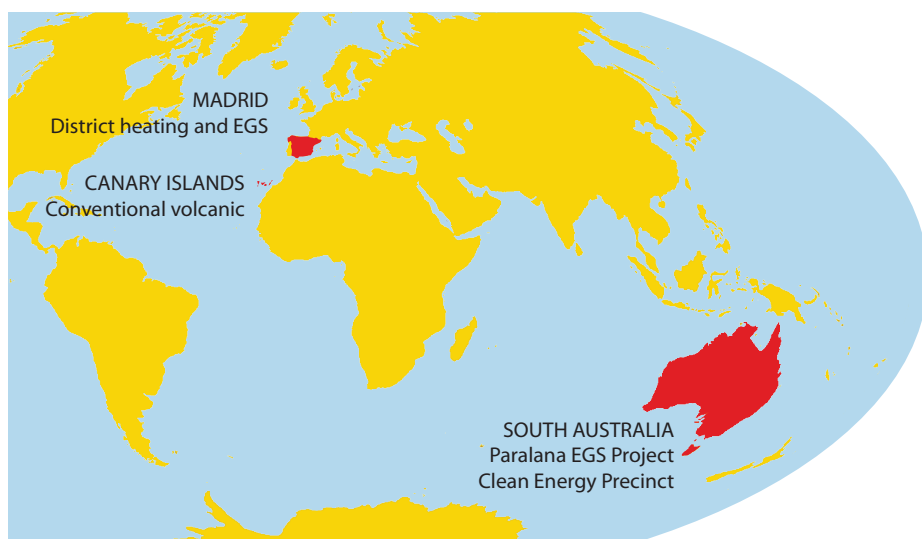
Projects cont'd

Paralana

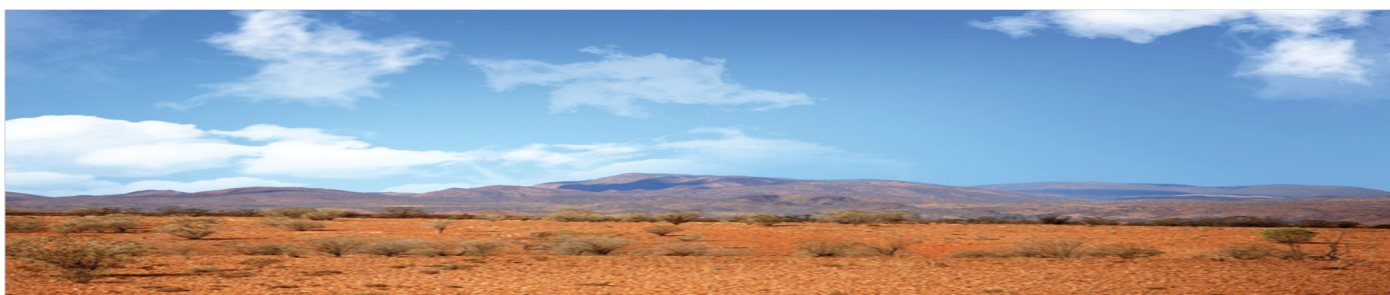
The next stage of works at Paralana covered in the grant application include the drilling of Paralana 3, a geothermal producer well into the stimulated zone, expanded fracture stimulation of the sub-surface rocks to ensure a high connectivity between wells, and circulation testing between wells. This work forms the immediate precursor to the establishment of a small pilot plant of up to 3.5 MWe to provide power to the neighbouring Beverley Uranium Mine.

In addition to the potential grant support, it should be noted that recent changes (effective for the 2011/12 financial year) to the Research & Demonstration (R&D) Tax Incentive, now provide for companies with eligible R&D expenditure to receive refundable cash tax offsets equivalent to 45% of expenditure. Based on its 79% equity in the Paralana project, the Company has estimated that it may receive up to \$7.2 million in cash rebates under the R&D Tax Incentive from the next phase of works.

Concurrently, the Company is exploring further avenues to enable it to satisfy its remaining share of joint venture funding for the Paralana project. The Company believes that the strong technical success to date at Paralana makes the project one of the best opportunities to demonstrate the commercial viability of Engineered Geothermal Systems Technology for large-scale power production here in Australia. The Company is well leveraged through its joint venture with Beach Energy, a significant R&D Tax Incentive, and will be greatly boosted should the \$13 million ERP grant application be successful.



The 900 metre fracture zone measured last year following the main fracture continues to be monitored and as expected has grown significantly to around 1,200 metres (refer recent Company Update presentation dated 23 October 2012).

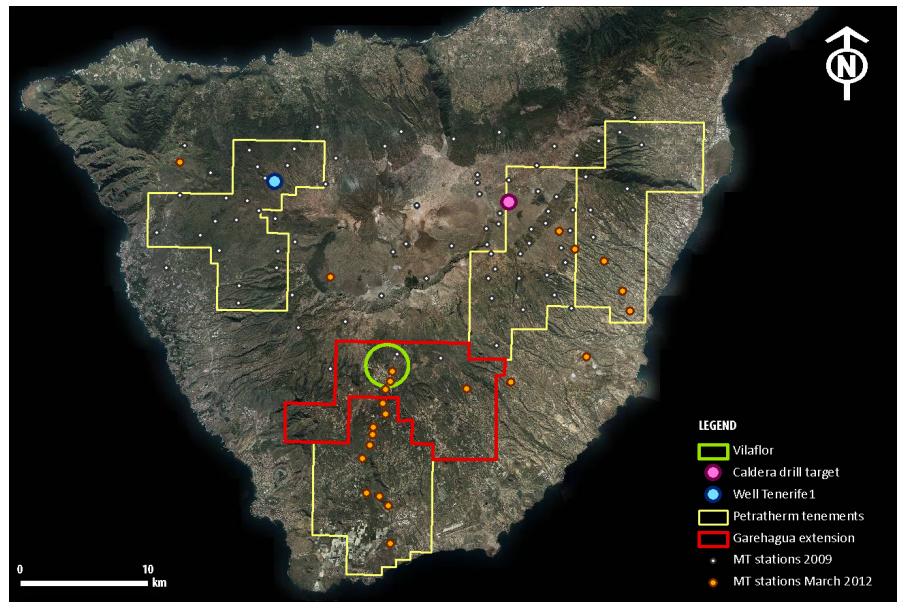


Projects cont'd

Spain

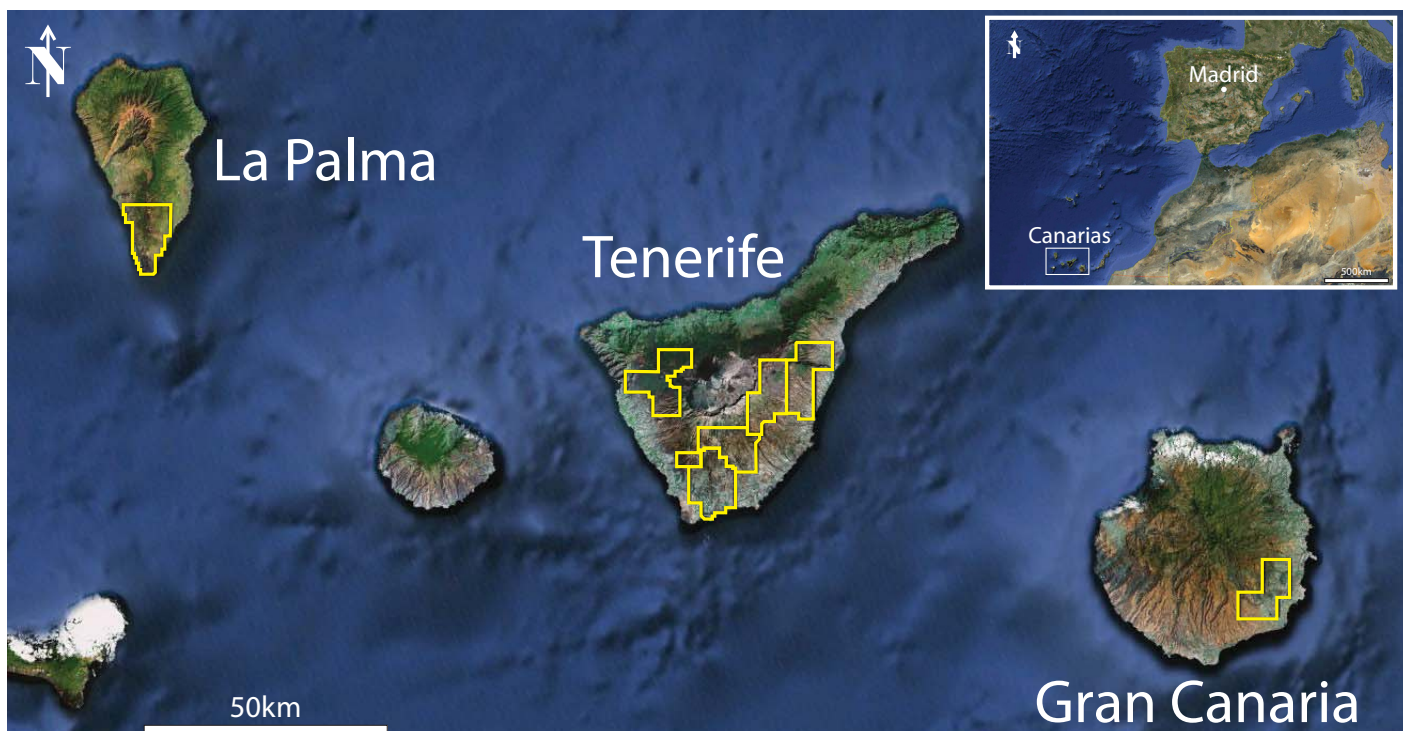
The Tenerife Project in the Spanish owned Canary Islands is a conventional geothermal project on the active volcanic island of Tenerife. During the reporting period the Company carried out a second Magneto-telluric (MT) survey with the University of Barcelona as an extension to the previous survey to better define the shape of the clay alteration cap on the lower flanks of the volcano. The clay cap has formed from hydrothermal alteration and maps the extent of the geothermal fluids.

This investigation identified one site in the vicinity of the town of Vilaflor on the southern lower slopes of the Teide Volcano, which potentially indicates the presence of a relatively shallow geothermal system starting at approximately 1,500 metres depth. This feature will be covered by more detailed MT work near the end of 2012 to determine if it may be a better drilling target than previously identified closer to the summit of the volcano.



This work along with other planned geochemical and geophysical surveys on Tenerife during the 2012/13 period, are funded by the collaborative 4 year GeotherCan research grant worth a total of AUD\$1 million.

The company expanded its ground holdings in the Canary Islands during the period with a fifth licence application made on Tenerife. A new licence application was also made over the southern half of the neighbouring island of La Palma, which is the site of most recent volcanic activity in the Canary Islands and records very high subsurface temperatures near these eruption sites.



Tenerife and Gran Canaria - licences awarded
 La Palma - licence application currently being assessed

Corporate information

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Inside the Petratherm team

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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 Australian Geothermal Energy Association website at <http://agea.org.au> and the DMITRE website at <http://geothermal.dmitre.sa.gov.au>

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.