CLEAN ENERGY FOR FUTURE GENERATIONS

Quarterly Report
30 June 2013

petratherm

Quarter four highlights

Paralana

- The Company is pleased to announce that its flagship Paralana project has been awarded a $13 million grant by the Australian Renewable Energy Agency (ARENA). The grant funds close to half of the next stage of project works.

Tasmania

- In the post reporting period, the Company applied for a large Petroleum Licence north of Hobart to investigate for shale oil and gas.

Spain - Tenerife

- A magneto-telluric survey was completed, focusing on defining a potential hydrothermal upwelling on the southern side of the Mt Tiede Volcano. The company is advancing negotiations with a major Spanish energy company to joint venture into the project.

Review of Operations

During the quarter, the Company's primary focus continued on resolving funding matters relating to the Paralana project to enable the project to proceed as soon as practicable.

Quarterly exploration and evaluation expenditure amounted to $179,000 and included costs associated with the Paralana and Tenerife projects.

The Company had ongoing administration costs of $271,000 during the quarter.

At the end of the reporting period the Company held $878,000 in cash.

Petratherm, through its wholly owned subsidiary PetraGas Pty Ltd, has expanded its project portfolio by applying for a Petroleum Exploration Licence north of Hobart in central Tasmania (Figure 1) to explore for shale oil and gas.

Projects

Paralana

In June, Petratherm advised that its flagship Paralana Project had been awarded a $13 million grant by the Australian Renewable Energy Agency (ARENA).

Paralana has been and remains the Company's number one priority and grant funds will contribute approximately 50% towards the demonstration of commercial energy extraction. The grant has been awarded under ARENA's Emerging Renewables Program (ERP).

That work will involve the drilling and stimulation of the Paralana 3 well - a producer well into the hot rock reservoir created around the existing Paralana 2 well, as part of an applied research project into the site's commercial potential.

The ERP grant is provided on a matching funding basis and includes two key conditions:

- Beach Energy commits to fund its 21% equity share of the matching funding project costs, and
- Petratherm secures an additional $5 million in equity (market and/or JV partner(s)) within six months.

The Company is confident that it can satisfy the above conditions and commence the next stage of works at Paralana later this year.

In addition to the above, Petratherm and Beach Energy have renegotiated with ARENA our two existing grants as follows:

- The $7 million Geothermal Drilling Program grant has been terminated, with remaining balance of $2.8 million being relinquished, and
- The $62.8 million Renewable Energy Demonstration Program grant for a 30MW project has been varied to $24.5 million for a reduced 7MW project.

The changes to the existing grants have been implemented to ensure no crossover between the grants/ programs and to reflect the latest information on the project's costs, in particular subsurface costs.

The Paralana Project joint venture has also agreed with ARENA to develop a comprehensive project knowledge sharing program with relevant Australian public research institutions (including the Geothermal Research Initiative).

The Company views the awarding of the ERP grant by ARENA as a strong signal of continued support for the Paralana project and the broader development of geothermal energy in Australia.

Tenerife

The Tenerife Project in the Spanish owned Canary Islands is a high temperature, conventional geothermal project on the active volcanic Island of Tenerife.

During May, a three week magneto-telluric (MT) campaign was undertaken principally designed to define the Vilaflor MT anomaly on the southern slopes of the Teide Volcano. In all, 41 stations were recorded and processing of this data is now underway to allow a detailed 3D model to be generated of the target. The Vilaflor anomaly shows a MT response indicative of a hydrothermal system at approx. 1500m depth. The target is in an area close to power infrastructure and has good access for later drill testing.

The ground activities are funded by the collaborative 4 year €1.7 million Geothercan research grant. The Company is in advanced discussions with a major Spanish energy company that has shown interest in joint venturing on the Tenerife project.

Tasmania - Shale Oil & Gas

In the post reporting period, Petratherm advised that its wholly owned subsidiary, PetraGas Pty Ltd, had applied for a Petroleum Exploration Licence (EL3/2013) covering approximately 3,900 square kilometres, north of Hobart in central Tasmania (refer Figure 1).

The tenement application spans part of the petroleum-bearing Tasmanian Basin, which is prospective for both conventional and unconventional oil and gas.

The decision by Petratherm to extend into unconventional shale oil and gas exploration leverages our core areas of expertise that include basin geology and deep drilling (developed from working on engineered geothermal systems) and our knowledge of the Australian electricity and gas markets.

The area is a greenfields play and the first year's work will be largely a desktop study assessing historical data with a modest spend of around $100,000 involving principally staff time to determine its prospectivity.

If ground works are planned to be undertaken in subsequent years, PetraGas will arrange to meet with key stakeholders and the local community well in advance to ensure that a comprehensive two-way communication process is established from the outset.

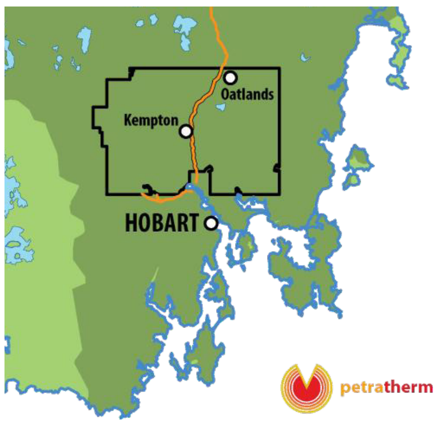

Figure 1 - Location map of Tasmanian Petroleum Tenement Application area

Corporate information

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Managing Director
Terry Kallis

Non Executive Directors
Richard Bonython
Richard Hillis
Simon O'Loughlin
Lewis Owens

Company Secretary
Donald Stephens
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Inside the Petratherm team

Managing Director
Terry Kallis

Exploration Manager
Peter Reid

Project Geologist
Mathieu Messeiller

Office Manager
Elena McRae

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 Practicing 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.