

CLEAN ENERGY FOR FUTURE GENERATIONS

Quarterly Report
30 June 2010

Quarter four highlights

Paralana

- > Community consultation completed to provide an update on the project
- > Fracture stimulation work planned for August/September 2010

Spain

- > Target sites agreed for drilling on Tenerife

Corporate

- > \$4.1 million positive response to Share Purchase Plan issued
- > As at 30 June, the Company held \$2.7 million in cash
- > Post the reporting period, \$62.762 million Commonwealth grant executed

Review of Operations

Petratherm continued to work on its forward plans during the quarter with a successful fund raising completed and development of a fracture stimulation program for the Paralana geothermal energy project site continuing.

A Petratherm team, accompanied by the state regulator, held a successful series of meetings in the region surrounding the Paralana project to give the community an update on completed and future works.

Another development for the Paralana project occurred post the reporting period, when the \$62.762 million Commonwealth Government Grand under the Renewable Energy Demonstration Program was executed.

The REDP Funding deed was signed between the Commonwealth and MNGI Pty Ltd - a wholly owned subsidiary of Petratherm that holds the Paralana geothermal exploration licences.

The \$62.762 million in grant monies (exclusive of GST) are to be applied to the development of a 30MW geothermal demonstration project post the proof of concept stage currently underway at the Paralana geothermal energy project.

Post the reporting period, Petratherm also entered into a farm-in variation deal with Beach Energy that brings forward \$2.7 million in free carry funding for Petratherm's equity share of costs for the Paralana Project.

The Paralana fracture stimulation work program is planned to commence in August 2010 to create a network of micro-fractures and initial underground reservoir.

Work also continued during the quarter on advancing Petratherm's Spanish interests with data for the Tenerife geothermal project assessed and target areas agreed in readiness for drilling on the island in the new calendar year.

The Share Purchase Plan offer closed on April 9 and raised \$4.1 million to fund the Company's project portfolio.

Quarterly exploration and evaluation expenditure amounted to \$4.0 million.

Of that expenditure \$1.6 million was funded by our Joint Venture partners (Beach Energy and TRUenergy) under the Paralana JV.

The company had ongoing administration costs of \$0.6 million during the quarter.

At the end of the quarter, the company held \$2.71 million in cash.

Corporate and Regulatory

Share Purchase Plan raising

Petratherm announced a Share Purchase Plan offer for shareholders to purchase up to \$15,000 worth of shares on 10 March 2010.

The share issue offer was at \$0.24 representing a discount to the closing price of the Company's shares on ASX as at 9 March 2010 of \$0.07 or 22 per cent.

This SPP closed on 9 April 2010 and raised \$3,431,500. In addition, the Company has agreed to raise \$0.7 million at \$0.24 per share before costs from a Share Placement to clients of Taylor Collison Limited.

Petratherm was encouraged by the ongoing support from its shareholder and brokers as evidenced by the positive uptake of these offers.

New legislation boost to industry

Petratherm Limited welcomed the successful passage through the Senate of legislative changes to the operation of the Renewable Energy Target (RET) scheme, saying the changes could provide greater investment certainty in the renewable energy industry.

The changes approved by the Senate split the RET scheme in two, effectively creating two separate markets, one for large scale projects such as geothermal, wind, solar and wave and one for small scale projects such as solar hot water and solar PV on homes.

The changes to the RET were made by the Federal Government in response to consultation with the renewable energy industry regarding the need for a clear and sound long term framework for investment - in particular for large scale projects - such as Petratherm's Paralana Geothermal Energy project.

Variation to Paralana farm-in

Post the reporting period, Petratherm announced a \$2.7 million farm-in variation deal with our joint venture partner Beach Energy to fund Petratherm's share of project costs for the next stage of work at the Paralana geothermal energy project.

Beach Energy and TRUenergy Geothermal will continue to contribute to their share of project costs at 21% and 10%, respectively.

The farm-in variation terms are summarized as follows;

1. Beach Energy to bring forward \$2.7 million in free carry funding for Petratherm's share of Paralana project costs (expected to be incurred over the next three months)
2. Petratherm to bring forward the assignment of Beach's 21% interest as tenant in common of the Paralana geothermal exploration licences
3. Beach Energy will no longer be required to pay the first \$5 million toward the Paralana 3 well, but will be required to contribute to its equity share of project costs at 21% of total costs
4. TRUenergy Geothermal's earn-in requirement to pay the first \$3 million toward Petratherm's equity share of project costs for the Paralana 3 well is to be reduced to \$2.5 million to ensure TRUenergy's joint venture interests are unaffected as part of accommodating the changes in point 3 above.

The farm-in variation will be effected by way of a Deed of Variation to the Paralana Energy Farm-in Agreement.



Paralana

Work is continuing to design a fracture stimulation program to commence at the Paralana geothermal energy project.

The forward program of hydraulic stimulation is designed to link the accessible well part to the encountered over-pressured zone.

The plan is to complete a multizone fracturing program to create an underground heat exchange reservoir. Drilling of Paralana 3 is planned in February 2011 for circulation testing and proof of concept.

Community consultation

Petratherm visited the regions near the Paralana geothermal energy project during May to meet with community members.

Public meetings were held at Hawker, Leigh Creek and Port Augusta along with meeting key stakeholders along the way to provide an update on the project's recent drilling campaign and also to explain upcoming stages of the project.

There was also an opportunity for feedback and discussion. A copy of a question and answer document covering some of the main issues raised is now posted on the Petratherm website.

Heliotherm

Petratherm's wholly owned subsidiary Heliotherm Limited was invited, following an expression of interest (EOI) process, to submit a full grant application for its Heliotherm project to the Australian Solar Institute's (ASI) second round of solar projects grants.

ASI Limited has advised Petratherm that the project was selected following a highly competitive process that included 72 EOI submissions, with only one third of proponents being invited to submit a full proposal for Round 2 grants.

Petratherm intends to apply for the maximum funding of \$5 million available under the ASI Round 2 funding program. Applications are due by 4 August 2010.

Heliotherm Limited has entered into an exclusive agreement with the University of Adelaide to develop and commercialize the Heliotherm integrated technology project.

The project has been awarded \$1.5 million in SA Government grants. This includes a \$794,268 Premier's Science and Research Fund grant (PSRF) and a \$700,000 grant from Renewables SA.

The innovative project is being pursued with the University's highly regarded Centre for Energy Technology (CET) and aims to reduce the cost of solar thermal technology by up to 40 per cent through the integration of solar thermal, geothermal and combustion technologies.

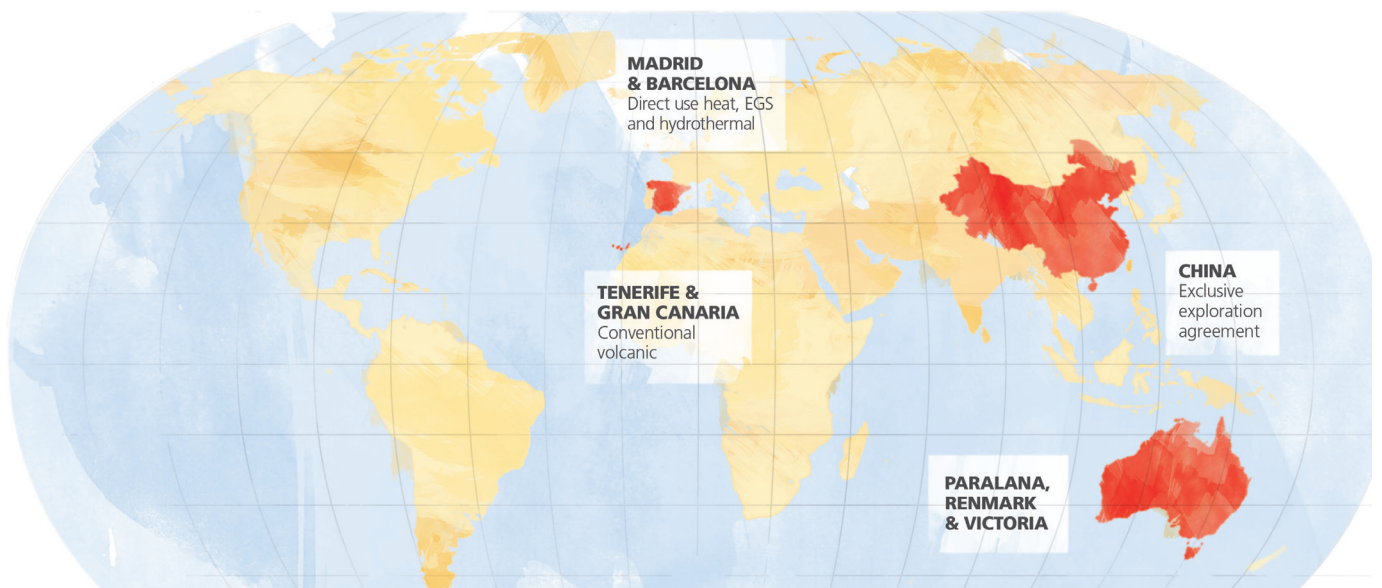
Spain

Petratherm and Enel Green Power have continued to work closely together to identify drill targets for the Tenerife Geothermal Project.

SKM completed processing and interpretation of the large magnetotelluric survey conducted over the island late in 2009.

Using this data and taking into consideration location to the local market and development issues, two priority drill targets have been identified.

The intention is to drill a slim hole well to approximately 1.5 kms depth into each target to test for the presence of a hydrothermal system early in 2011. A basic well design has been constructed and drill tenders are being sought from a number of contractors to undertake the work.



Corporate information

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Derek Carter – Chair
Terry Kallis – Managing director
Richard Hillis –
Non executive director
Richard Bonython –
Non executive director
Simon O’Loughlin –
Non executive director
Lewis Owens-
Non executive director
Company secretary
Donald Stephens
HLB Mann Judd (SA) Pty Ltd

Stock exchange listing

Australian Stock Exchange
(ASX code PTR)

Share registry

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Inside the Petratherm team

Managing director

Terry Kallis

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Project manager – Paralana

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Business accountant

Paul Smith

Public & investor relations

Belinda Willis

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.pir.sa.gov.au/news/events>

Website

Petratherm’s website delivers regular information updates to shareholders and stakeholders.

www.petratherm.com.au

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