

CLEAN ENERGY FOR FUTURE GENERATIONS

Quarterly Report
31 March 2011

Quarter three highlights

Paralana

- > Paralana 2 well injectivity test was completed successfully and with encouraging results for the conduct on the main fracture stimulation program

Corporate

- > The Company held a general meeting and completed its fourth community consultation program

Spain

- > Grant submissions for geothermal projects are currently being sought by Spanish federal government
- > Tenerife project to finalize drilling target and drilling costs. Project attracts approaches from three Spanish companies seeking JV participation
- > Madrid district heating project completes feasibility with potential JV partner

Review of Operations

Petratherm continued to work on its forward plans with the completion of its Perforation and Injectivity test at Paralana and the preparation for the main fracture stimulation program which is now scheduled for early June 2011.

Work also continued during the quarter on advancing Petratherm's Spanish projects with the Madrid project nearing full feasibility assessment and the Tenerife project entering the drilling design and costing stage.

Petratherm is holding JV discussions with a major European utility company for its Madrid project and also with other companies interested in participating in the Tenerife project to complement the existing arrangements with Enel Green Power.

Quarterly exploration and evaluation expenditure amounted to \$0.497 million. Funding by our JV partners (Beach Energy and TRUenergy Geothermal) under the Paralana JV amounted to \$0.548 million.

The Company had ongoing administration costs of \$0.474 million during the quarter.

At the end of the quarter, the Company held \$2.353 million in cash.



Competent Persons Statement

The information in this report relating to geothermal exploration results and geothermal resources is based on information compiled by P.W. Reid, a full time Petratherm employee. Mr Reid has sufficient experience in the style of geothermal play under consideration to qualify as a Competent Person under the Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008) edition. Mr Reid consents to the inclusion of the material herein in the form and context in which it appears.

Corporate and Regulatory

Petratherm held a general meeting of shareholders to approve the recent placement of 15,040,000 shares at a price of 10 cents. The meeting was well attended with 30 persons in attendance.

The Company appeared in a special article in the prestigious International Resources Journal which conducted a feature on alternate energy technologies.

During the quarter the Company also conducted its fourth community consultation program for the Paralana project.

The Community consultation was conducted by Petratherm's Managing Director, Terry Kallis and Exploration Manager, Peter Reid.

A representative from the state government's Primary Industries and Resources department also attended the meetings.

Paralana

In early January 2011 the Stage 1 - Perforation and Injectivity test at Paralana was successfully completed.

The Paralana 2 well was firstly cleaned using a coil tubing unit in a process where the heavy brine solution used during the cementing of casing was replaced with less saline bore water from the existing nearby water well.

Following the cleaning of the Paralana 2 well the steel casing was perforated over the interval 3,679-3,685 metres. The zone was subsequently successfully broken down (fractured) during an injectivity test where water was injected under pressure into the formation.

The data collected from the injectivity test operation is to be analysed and used to design the main fracture stimulation program.

Recent heavy rainfall in the region has continued to introduce unavoidable delays in the main fracture stimulation program.

The next stages of the fracture stimulation program are as follows:

Stage 2 - early June 2011 - Main Fracture Stimulation - inject larger volume of water at higher rates. The volumes and rates to be dependent on the micro-seismic response measured by the installed micro-seismic array (schedule to be determined subject to equipment availability).

The aim is to create a fracture network and to connect to and enhance the existing natural fracture network that contained over-pressured brines found during drilling of Paralana 2.

The work will assist in determining the location of the Paralana 3 well and it seeks to further de-risk the Paralana geothermal energy project.

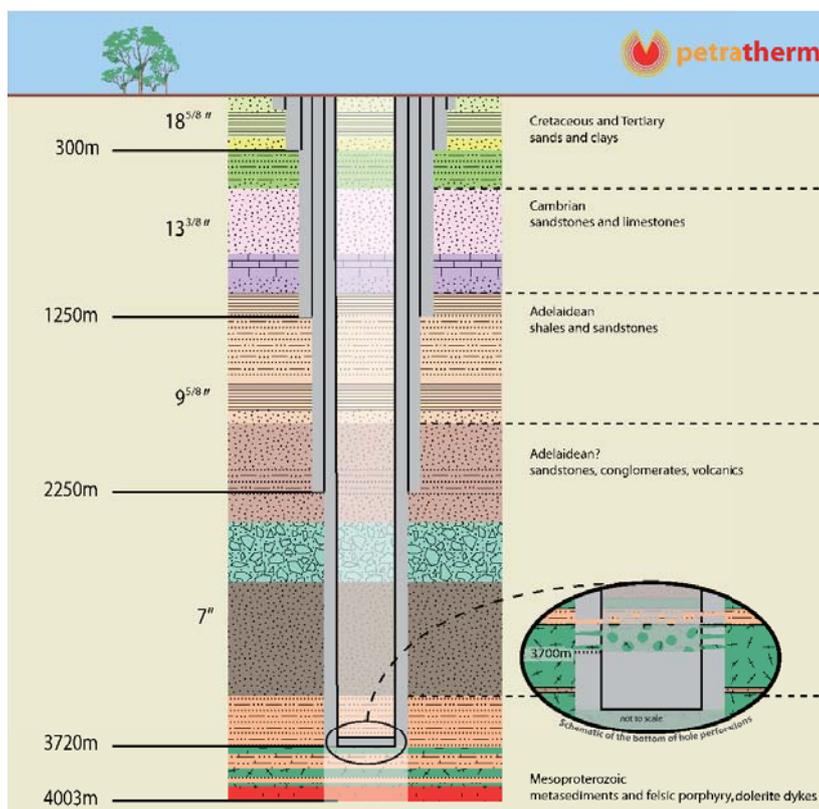


Figure 1 - Paralana 2 well, simplified geology and schematic of perforation zone



Figure 2 - Paralana 2 perforation setup



Figure 3 - Paralana 2 preparation for injectivity test

Corporate and Regulatory

Paralana

Results of Injectivity test

After assessment of the data obtained during the Injectivity test the key technical achievements are summarized as follows:

- > Successful fracturing of rock during injection trial.
- > Sensitive monitoring equipment detected over 140 micro-seismic events during the injection. These events are 10,000 times smaller than seismic events felt in earthquakes.
- > Events associated with the injection extended in excess of 300 metres from the wellbore.
- > Main stimulation is scheduled for early June 2011.
- > Apparent connection to over-pressured zone to be confirmed during main stimulation.

On completion of the injection work, the measured well head pressure was more than 4,000 psi. The high pressure may suggest connection to pre-existing overpressure contained in the reservoir rock or could be due to gradual equilibration due to the low permeability nature of the rock.

Petratherm and its JV partners are encouraged by the results of the injection test. It is the intention to expand connection into this potentially over-pressured zone during the main stimulation.

Micro-seismic Monitoring of Injectivity Test

The Paralana micro-seismic monitoring array has been operational since April 2008, recording the background seismicity at the Paralana Geothermal Project site. The seismologists that established and are managing the micro-seismic monitoring array on behalf of the JV are from the Institute of Earth Science and Engineering, Auckland, New Zealand.

The array combines sensitive down-hole sondes with surface seismometers to enable the interpretation of a wide spectrum of seismic events.

During the 2 hour injection period, in excess of 140 locatable micro-seismic events were recorded. Event magnitudes are very small ranging between -1.8 to 0.4 on the Richter magnitude scale some 10,000 times smaller than earthquakes that people would typically feel. The injection survey was used in part to calibrate the micro-seismic array. The seismologists were greatly encouraged by the high quality data that was able to be captured and the large number of events recorded.

The fracture array cloud measured by the array indicates that it extends approximately 300 metres by 200 metres and is approximately 130 metres thick.

Main Fracture Stimulation Works

Preparatory works are underway for the main stimulation works scheduled for early June 2011, subject to weather conditions and contractor availability.

The Stage 2 fracture stimulation involves injection of larger volume of fracturing fluid at higher rates. The stimulation aims to create an extensive fracture network more than 500 metres in length and connect to and enhance the existing natural fracture network intersected by the well.



Corporate and Regulatory

Spain

Grants for Geothermal Projects

Submissions are now being sought by the Spanish federal government for grants for geothermal energy projects.

Both the Tenerife and Madrid projects are eligible and represent the two most advanced geothermal projects in Spain.

Tenerife Volcanic Geothermal Project

Petratherm España in conjunction with its 50% partner, Enel Green Power (EGP), continued to develop the Tenerife volcanic geothermal project.

Three prospective drilling targets have been under consideration with a recent review of long term devel-

oping potential indicating sites in the eastern and southern tenements of the island being more attractive.

Work is underway with EGP to finalize the drilling target and costs for a slim-hole exploratory well. Concurrently, a preliminary design and cost for a deep production grade well is being assessed.

Tenerife provides a major opportunity to build a conventional geothermal project. The island's current source of power generation is based on imported diesel resulting in very high priced electricity (above AUD \$140/MWh and potentially as high as AUD \$240/MWh) with a significant carbon signature.

The potential for a high temperature shallow, hydrothermal sources in excess of 240°C, coupled with high electricity prices makes the Tenerife project commercially attractive.

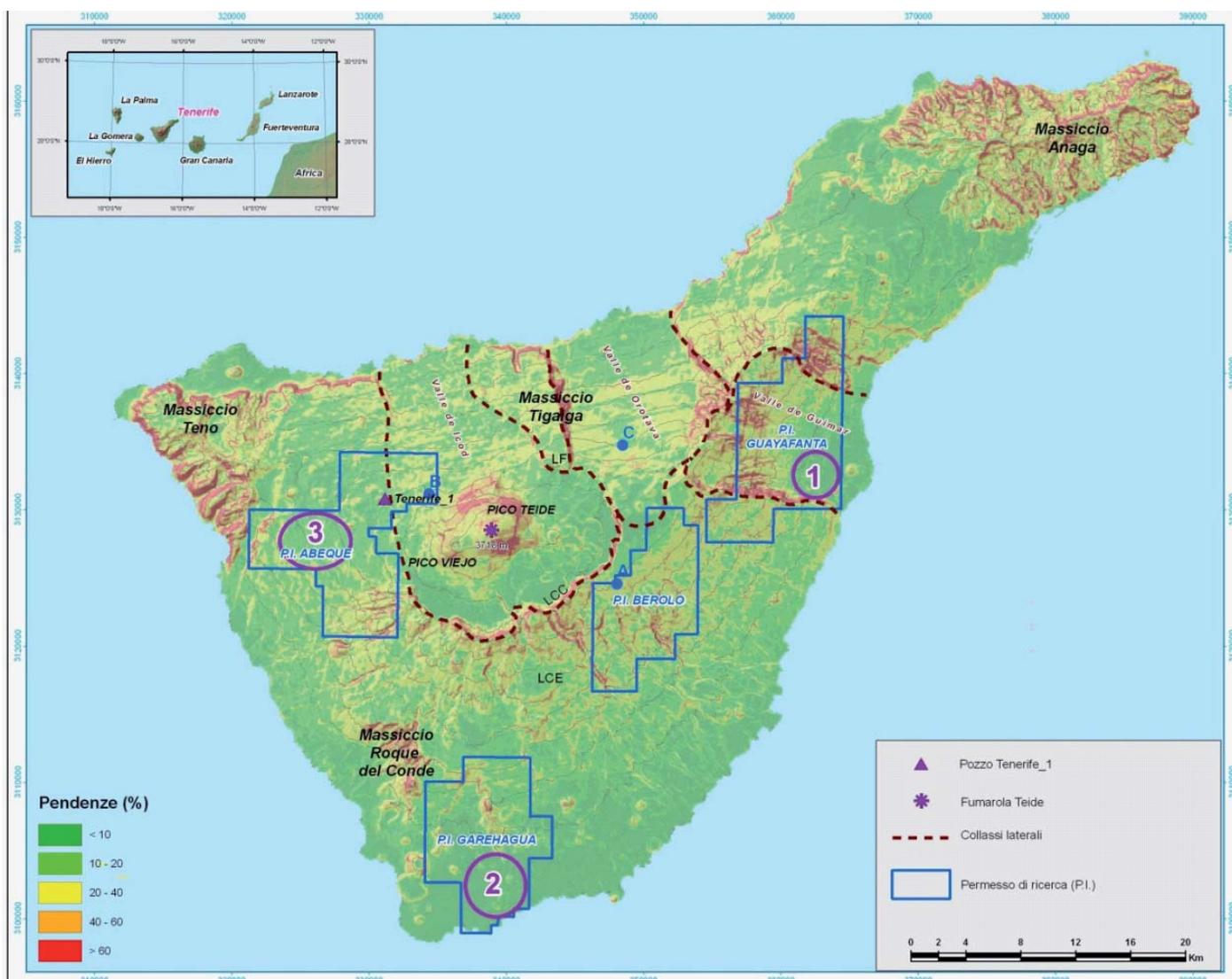
The strong commercial potential of the Tenerife project has resulted in Petratherm España and EGP being approached by three different companies seeking JV participation in the project.

Petratherm and EGP have commenced initial discussions with those parties to determine the optimal additional JV partner for the project.

Madrid District Heating Project

Petratherm España has progressed its Madrid Geothermal District Heating project (GDH) under the Cooperative Agreement with the Spanish and Madrid regional governments.

Petratherm España has completed the final design of the GDH project and is engaged in discussions with a major European utility to assess joint venture arrangements.



Corporate information

Corporate Office

Level 1, 129 Greenhill Road
Unley, South Australia 5061
t. +61 8 8274 5000
f. +61 8 8272 8141
e. admin@petratherm.com.au
www.petratherm.com.au
ABN 17 106 806 884

Board of Directors

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

Australian Securities Exchange
(ASX code: PTR)

Share Registry

Computershare Investor
Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000

Legal Advisors

O'Loughlin Lawyers
Level 2, 99 Frome Street
Adelaide, South Australia 5000

Auditors

Grant Thornton
South Australian Partnership
67 Greenhill Road
Wayville, South Australia 5034

Inside the Petratherm team

Managing Director

Terry Kallis

Exploration Manager

Peter Reid

Project Manager – Paralana

Paul Jepsen

Tenement & Compliance Officer

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

Proudly supporting

