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PETRATHERM LIMITED
ABN 17 106 806 884

AGM Chairman's Report

Ladies and gentlemen, welcome to the 2012 Annual General Meeting of Petratherm.

Petratherm continued to distinguish itself as a leader in the geothermal sector, achieving important milestones despite a challenging and uncertain market and political environment.

The Company's flagship Paralana geothermal energy project continued to take centre stage as the Company prepared for the creation of an underground reservoir. The project, which remains one of only two active geothermal projects in Australia, is amongst the most advanced engineered geothermal projects in the world.

A combination of joint venture funding and additional funds sourced from the equity markets was used to progress the Company's portfolio of projects and work programs. The highlights of the year, was success of the fracture stimulation and flow test undertaken at Paralana in July and October 2011, respectively.

The work undertaken at Paralana enabled an independent geothermal resource assessment to be made resulting in a Measured Resource of 41 PJ (thermal) being assessed by expert consultants Hot Dry Rocks Limited*.

In late 2011, the Company announced its new Clean Energy Precinct project which is aimed at facilitating a long term path to market and the commercialization of the large geothermal resource at Paralana.

The successful work completed to date reinforces the Company's leadership position and our shareholders showed their support in two capital raisings during the reporting period and a third recently completed.

The first, a placement that raised \$2.3 million in July 2011, the second, an SPP that raised a further \$0.46 million and the recent rights issue where the Company's two largest shareholders – Minotaur Exploration and Australian Ethical – were among 725 shareholders (around 20% of shareholders) that participated, raising \$847,000.

Petratherm is encouraged by the level of support it has received from its shareholders and brokers in raising the overall amount of \$3.6 million to fund ongoing exploration and development of the Company's projects.

The Gillard government introduced carbon pricing from 1 July 2012 and concurrently established new institutions to manage \$13 billion in grants and financing for clean energy projects. In this regard, in the post reporting period the Company announced that it had been successful in its Expression of Interest application to the \$126 million Emerging Renewables grant program and that it had been invited by the Australian Renewable Energy Agency to submit a Project Funding Application to fund up to half (i.e. \$13 million) of the next stage of works of the Paralana project. That Application was lodged in late September 2012 and we would expect a decision in the coming weeks.

It should be noted that the recent changes to the Research and Development Tax Rebate scheme apply from 2011/12 with up to 45% of eligible expenditure being returned as a cash rebate to companies undertaking projects in the R&D phase of development, as is the case for the Paralana project through to the completion of demonstration of flows between the two deep wells, estimated at a cost of \$26 million. Petratherm's share of the Rebate for the Paralana project could be up to \$7.2 million.

The Company continues to develop its Spanish project portfolio and is continuing to characterize geothermal resources across the Canary Islands, notably on the island of Tenerife with the assistance of Spanish government subsidies of up to \$1 million. Work continues on the Tenerife and GeoMadrid projects with interest shown from potential joint venture partners.

The Company's Board and Management team have worked diligently to deal with the challenging conditions in the Company's history, and I would like to recognize them for their achievements over the year.

Yours faithfully



Derek Carter
Chairman

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* *Statement of Geothermal Resources report can be located on the company's web site - www.petratherm.com.au.*