

Quarterly Report

FOR PERIOD
ENDING
30 June 2009



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Quarter Four Highlights

Paralana

- Drilling begins at Petratherm's flagship Paralana Joint Venture Project in South Australia
- The Paralana JV Project is awarded by the Federal Government a \$7 million Geothermal Drilling Program (GDP) grant
- An application lodged under the \$435 million Renewable Energy Demonstration Program (REDP) for a 30 MW project at Paralana is assessed as eligible for full merit assessment

Spain

- Post the reporting period the company was awarded the three remaining tenements covering the Valles and Ebro Basins near Barcelona.

Corporate

- \$7.4 million raised through shareholder purchase plan and share placement
- Managing Director appointed to SA Chamber of Mines and Energy and also to Clean Energy Innovation Centre board
- Petratherm board member Richard Hillis appointed interim director of the new SA Centre of Excellence for Geothermal Research at the University of Adelaide
- As at 30 June the Company held \$13 million in cash, an increase of \$8.832 million from 31 March.

Petratherm Ltd

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ASX Code: PTR



Review of Operations – In brief

During the quarter, the company raised significant funds placing it in a sound financial position (details below).

An agreement to assist the Paralana JV project was signed for the maximum of \$7 million in funding under the Commonwealth Government's Geothermal Drilling Program.

An application, lodged under the \$435 million Renewable Energy Demonstration Program (REDP) for a 30 MW project at Paralana, has been assessed as eligible. The Federal Department of Resources, Energy and Tourism informed Petratherm that the application was undergoing full merit assessment. The application seeks one-third funding for the eligible costs of the \$200 million development.

Petratherm successfully raised \$4.32 million under a share purchase plan offer to shareholders at a price of 26 cents and a further \$3.08 million was raised at 32 cents per share before cost from a Share Placement to clients of Taylor Collison Ltd.

Post the reporting period, the Company was awarded three geothermal investigation permits covering the Canove, Montbui and Vic area of Spain, near the city of Barcelona.

Exploration and evaluation expenditures amounted to \$5.04 million during the quarter primarily reflecting rig mobilisation and increased site activity at Paralana. Of that expenditure \$4.17 million, or 83%, was funded by our Joint Venture partners (Beach Petroleum and TRUenergy) under the Paralana JV.

Under the JV, Beach Petroleum pay the first \$5 million toward the Paralana 2 well and TRUenergy pay \$3 million toward the well costs.

Ongoing administration costs of \$0.34 million during the quarter reflect the increased level of activity arising from Paralana and the new geothermal projects across the Company's growing portfolio.

As part of the funding agreement for the Federal Government's Geothermal Drilling grant, Petratherm has sought to terminate the REDI grant from 1 July 2009. To date, a sum of \$850,000 has been drawn down from the REDI grant funds.

At the end of the quarter the Company held \$13 million in cash, an increase of \$8.832 million during the period.

Review of Operations – Corporate, Industry & Regulatory

Share Purchase Plan and Share Placement added \$7.3 million cash

A Shareholder Purchase Plan (SPP) offer closed on 8 May 2009, with Petratherm raising \$4,329,500 at 26 cents per share before costs. A maximum of \$5,000 was offered for individual shareholders. The company raised another \$3,083,600 at 32 cents per share before costs from a Share Placement to clients of Taylor Collison Ltd. The funds raised will be applied to fund ongoing exploration and development of the Company's projects, in particular, the Paralana Project.

Petratherm's \$62.8 million funding application for the \$435 million Renewable Energy Demonstration Program

Petratherm, on behalf of the Paralana Joint Venture partners Beach Petroleum and TRUenergy Geothermal, lodged an application in mid April for a grant under the Federal

Government's \$435 million Renewable Energy Demonstration Program (REDP).

The company was later advised the application was assessed as eligible and would undergo a full merit assessment. The Federal Minister for Resources and Energy is expected to make a final decision from August 2009.

Under the application, Petratherm proposed a 30 MW commercial demonstration project at its Paralana project site and is seeking \$62.8 million in government funding

The REDP is a competitive grants program designed to accelerate the commercialization and deployment of renewable energy technologies for power generation across Australia.

Petratherm and its Joint Venture partners, Beach Petroleum and TRUenergy Geothermal, consider the Paralana project to be the best commercial geothermal energy project in Australia. The project has:



- A financially strong group of JV partners with complementary abilities and a JV structured around investment in stages based on achieving milestones.
- Potential to provide very large scale, base load power to the local market (30 MW) and later the National Electricity Market (NEM) (260 MW to 520 MW).
- Technical strength centred on Petratherm's Heat Exchanger Within Insulator (HEWI) model which aims to reduce cost, risk and time taken for drilling – therefore bringing forward development of competitively priced geothermal power generation.
- The JV partners' strong management capability to successfully address matters ranging from the sub-surface through to power generation and sale of power in the NEM.

\$7 million grant under GDP for Paralana

Petratherm on behalf of the Paralana JV Project was successful with its application under the Commonwealth Government's \$50 million Geothermal Drilling Program (GDP) and has now signed an agreement for the maximum grant amount of \$7 million.

The GDP provides for 60% upfront funding of which Petratherm's share is 69% or \$2,898,000 under the terms of the Paralana JV.

Review of Operations - Australia

Paralana Joint Venture Project

First well drilling work at Paralana

Drilling is underway at Petratherm's flagship Paralana Project site in the northern Flinders Ranges after spudding of the Paralana 2 well occurred on June 30.

A team from Beach Petroleum, on behalf of the joint venture partners, is now overseeing drilling operations with drilling contractor Weatherford Drilling International. Weatherford's 2000hp Le Tourneau "Lightning Rig" # 828 to drill the Paralana 2 deep injection well with a specially trained team of workers arrived in Port Pirie from Dubai on 10 May 2009. Target depth is 4000 metres, expected to be achieved in 2-3 months.



Drilling Begins at Paralana

Drilling at Paralana

The next step will be to create an underground reservoir before drilling a second well in the middle of next year.

Work has also begun in expanding the existing seismic array to monitor activity around the Paralana well site.

A passive seismic monitoring study has been conducted around the well site of Paralana 2 between April 2008 and April 2009 to record background natural seismicity prior to drilling. Phase 1 of the passive seismic study successfully provided 380 days of data from the immediate well site area.

The array clearly showed its capacity to detect and locate local, regional and tele-seismic events.

The passive seismic array is currently being extended and upgraded for Phase 2 of the program, where the array will monitor the development of the geothermal reservoir during stimulation.

The array will be upgraded to seven borehole stations, eight surface stations and one deep station.

Review of Operations – Spain

Geo-Madrid District Heating Project

Discussions continue with potential Joint Venture partners for the Madrid project. Petratherm's Madrid project was highlighted as one of six renewable energy projects of interest with the Madrid Regional Government's Renewable Energy Cluster project that is seeking to advance renewable energy project in the Region.

Barcelona

Barcelona Geothermal Investigation Permit Awarded

The remaining Barcelona applications covering the Canoves, Montbui and Vic area have been approved and three additional permits issued to Petratherm Espana.

Petratherm now has four geothermal investigation permits covering areas within the Valles and Ebro Basins near the city of Barcelona. The Montbui area is well known for its thermal spas with the city of Montbui having an ancient spa dating back to Roman days and surface hot springs exceeding 80°C.

The permit areas are located approximately 30 kilometres north-northeast of Barcelona and in close proximity to major electricity transmission infrastructure with a capacity in excess of 2,000MW.

The Valles Basin permit areas cover locations of known high heat flow with local hot aquifers evidencing temperatures of between 115°C to 130°C at depths of 1,500 metres to 2,000 metres. A 1,000 metre deep geothermal well (Samalus 6) on the northern edge of the Valles basin has a measured temperature of 90°C.

Administration

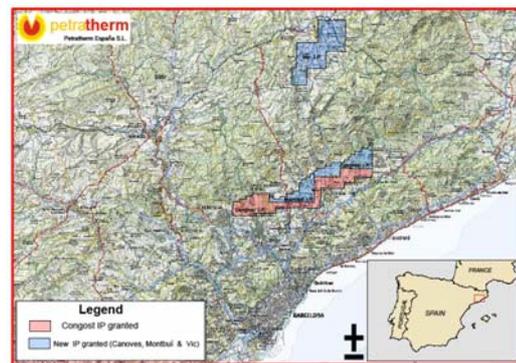
MD appointed to SA Chamber of Mines and Energy

Petratherm's Managing Director Terry Kallis has been appointed to the Council of the SA Chamber of Mines and Energy (SACOME) to represent Geothermal/Renewables. SACOME is the peak industry association for companies with business interests in the resources industry in South Australia.

Clean Energy Innovation Centre

Mr Kallis was also appointed to the new national Clean Energy Innovation Centre (CEIC) board. The centre received \$20 million in funding over four years and will be based in Newcastle.

Newcastle Innovation, the University of Newcastle's commercial arm, is hosting the centre and working in partnership with the



The heat source arises from high heat production granites that underpin the Valles Basin and outcrop in the adjacent ranges. The basin thickness is estimated at approximately 3,000 metres.

The geology (including temperatures and depths of aquifers) and market characteristics make the Barcelona project area attractive for both geothermal district heating (GDH) and engineered geothermal systems (EGS) development for electricity production.

Australian Institute for Commercialisation and the Western Australian Sustainable Energy Association. The Centre will help build collaboration between researchers and businesses, and help clean energy businesses access latest technologies and market specific information.

Centre of Excellence

Petratherm board member Professor Richard Hillis was appointed interim director of the new SA Centre of Excellence for Geothermal Research at the University of Adelaide. Professor Hillis is head of the University's Australian School of Petroleum.

Safety, Environment & Community

Petratherm is currently upgrading and enhancing its overall Safety, Health, Environment & Quality Management System to meet the needs of the Company's growing business operations. To ensure a suitable and practical system is designed and implemented for geothermal operations, Petratherm is working with Industry, safety and environmental specialists. Company safety objectives and targets will also be established to ensure a consistent approach across all projects and to facilitate continuous improvement.

Corporate Information

Board of Directors

| | |
|------------------|------------------------|
| Derek Carter | Chair |
| Terry Kallis | Managing Director |
| Richard Hillis | Non executive Director |
| Richard Bonython | Non executive Director |
| Simon O'Loughlin | Non executive Director |

Company Secretary

| | |
|-----------------|----------------------------|
| Donald Stephens | HLB Mann Judd (SA) Pty Ltd |
|-----------------|----------------------------|

Corporate Office

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Stock Exchange Listing

Australian Stock Exchange (ASX code PTR)

Share Registry

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

Legal Advisors

O'Loughlins 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 PTR team

| Title | Position |
|-------------------------------|--------------------|
| Managing Director | Terry Kallis |
| Exploration Manager | Peter Reid |
| Business Development Manager | Jonathan Teubner |
| Project Manager – Paralana | John King |
| Chief Geologist | Betina Bendall |
| Geophysicist | Louise McAllister |
| Project Geologist | Mathieu Messeiller |
| Tenement & Compliance Officer | vacant |
| Office Manager | Elena McRae |
| Business Accountant | Paul Smith |
| Public & Investor Relations | Belinda Willis |
| Admin Assistant | Wendy Blackeby |
| Spanish team | |
| Manager – Spain | Raul Hidalgo |
| Project Geologist | Victor Guerrero |

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>

New Website

Petratherm's new website is now fully operational and delivering improved information services to shareholders and stakeholders.

www.petratherm.com.au

