

# ASX Release

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**PETRATHERM LIMITED**  
**ABN 17 106 806 884**

## **AGM Chairman's Report**

Ladies and gentlemen, welcome to the 2011 Annual General Meeting of Petratherm. A company is only as good as its people and I am fortunate today to share with you some outstanding appointments/awards that have been bestowed on some of our board/staff. Firstly, congratulations are due to Lew Owens on his appointment as Chair of SA Water, an appointment in fine recognition of his previous work as a regulator and with ETSA. Secondly, Professor Richard Hillis was admitted to the Australian Academy of Technological Sciences and Engineering, an independent, non-government organization dedicated to the promotion of scientific and engineering knowledge to practical purposes. Finally last week, Peter Reid received the Chairman's Award from the Australian Geothermal Energy Association in recognition of his contribution to the geothermal industry. We are indeed fortunate to have people of such a calibre working with us.

The last month or so has been vital for the geothermal industry. Amongst all the uncertainty concerning international debt and share market volatility, the government introduced the carbon tax as well as the formation of and funding for ACRE (Australian Centre for Renewable Energy) and the Clean Energy Finance Corporation. From July next year, a total of \$13 billion (over ten years) will be earmarked to assist clean energy programs in both grant and other funding options. This is in addition to the \$126 million available now to the renewable industry through the Emerging Renewables Energy Fund. Government support of this industry is essential and Petratherm will be doing its utmost to access some of this funding. I should also note that the recent changes to the Research and Development Tax Rebate scheme will 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.

Adding to the interest of the month, last week, the Australian Geothermal Energy Conference was held in Melbourne with presentations from almost all the Australian geothermal groups. Petratherm continued to distinguish itself as a leader in the sector being the only group to have successfully completed a fracture stimulation and flow test of a geothermal well this year.

The stimulation was the first step in the creation of an underground reservoir at Paralana. The project, which remains one of only two active engineered geothermal systems (EGS) projects in Australia, is amongst the most advanced EGS projects in the world.

In January 2011, a perforation and injectivity test was undertaken to demonstrate that the geological formation at the bottom of the Paralana 2 deep well was capable of being broken down i.e. fractured. The injectivity test was successful and after enduring delays of several months, due to widespread and once in forty year flooding, the main fracture stimulation work program was undertaken in July 2011. The flow test was completed last month and full results will be available shortly.

The work undertaken during 2011 has enabled an updated Independent Resource Statement (IRS) to be prepared by experts in geothermal assessment, Hot Dry Rocks Pty Ltd for the Paralana resource. The IRS was released earlier today and has further validated and quantified the very large recoverable energy resources available at Paralana.

The project has now utilized \$4.2 million of the \$7.0 million of the Federal government Geothermal Drilling Program (GDP) grant with the remaining \$2.8 million available for the drilling of the Paralana 3 deep well. Following the demonstration of flows between the two deep Paralana wells, planned for mid/late next year, the project will be able to draw upon the \$62.8 million Federal government Renewable Energy Demonstration Program (REDP) grant.

With its joint venture partners Beach Energy and TRUenergy and government grants, the Paralana project continues to enjoy strong third party endorsement.

The successful work completed to date reinforces the Company's leadership position and our shareholders showed their support in two successful placements during the year. The first placement, in December 2010, raised \$1.5 million while the second placement raised a further \$2.3 million in July 2011. Additionally, we completed a Share Purchase Plan in October 2011 which raised \$0.46m. Currently, the company has cash reserves of over \$3 million (as at 30 September 2011) and I would like to thank all those shareholders (new and old) who supported the company in these cash raisings.

The Company continued to develop its Spanish project portfolio and recently announced that it led a consortia in a successful application for around \$1 million in subsidies to characterize geothermal resources across the Canary Islands, notably on the island of Tenerife. Work continues on the Tenerife power generation and Geo-Madrid district heating projects with interest shown from additional potential joint venture partners. That interest is expected to heighten with the recent announcement of Spain's renewable energy development plan, which, for the first time, highlights geothermal energy as a separate renewable category and importantly allocates up to €100 million in subsidies and financing to facilitate the development of geothermal energy power production.

The Company's innovative solar hybrid Heliotherm project with the University of Adelaide received a welcomed boost with \$0.75 million Australian Research Council grant to assist the planned three year work program. That funding is planned to be leveraged further through another grant application to the Australian Solar Institute.

The Company's Board and Management team have worked diligently to deal with the most significant market, political and regulatory uncertainty in the Company's history, and I would like to recognize them for their achievements over this most challenging of years.



*Lew Owens appointed  
as Chair of SA Water*



*Professor Richard Hillis  
admitted to the Australian  
Academy of Technological  
Sciences and Engineering*



*Peter Reid received  
the Chairman's Award  
from AGEA*

Yours faithfully

**Derek Carter**  
Chairman

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