

PETRATHERM LIMITED
ACN 106 806 884

PROSPECTUS

for a non-renounceable rights issue of one New Share
for every three Shares held at an issue price of \$0.03 for
each New Share issued together with one Attaching
Option at no additional cost for every one
New Share issued

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it, you should consult your professional advisers without delay.

This Offer closes at 5.00 pm (Adelaide time) on 18 October 2012

IMPORTANT INFORMATION

This Prospectus is dated 19 September 2012.

A copy of this Prospectus was lodged with ASIC on 19 September 2012. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the contents of this Prospectus.

No New Shares will be issued and no Attaching Options will be granted on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application will be made to ASX within seven days after the date of this Prospectus for admission of the New Shares and Attaching Options offered by this Prospectus to Official Quotation.

Applications for New Shares and Attaching Options can only be made on an original Application Form or by making payment via BPay. The Application Form sets out each Eligible Shareholder's entitlement to participate in the Offer.

In making statements in this Prospectus, regard has been had to the fact that the Company is a 'disclosing entity' as defined in the Corporations Act and that certain matters may reasonably be expected to be known by investors and professional advisers whom potential investors may consult.

No person is authorised to give any information or to make any representation in connection with the Offer, which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to accept the Offer.

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account the investment objectives, financial situation and particular needs of individual investors. It is important that investors read this Prospectus in its entirety before deciding to invest. In considering the Company's prospects, investors should consider the risk factors that could affect the Company's performance. Investors should carefully consider these factors in light of their personal circumstances (including financial and taxation issues) and seek professional guidance from their stockbroker, solicitor, accountant or other professional financial adviser before deciding whether to invest. Some risk factors that investors should consider are outlined in section 6 of this Prospectus.

The New Shares and Attaching Options offered under this Prospectus carry no guarantee with respect to return on capital investment or the future value of the New Shares and Attaching Options.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of GST unless otherwise disclosed.

Certain words and terms used in this Prospectus have defined meanings which are set out in section 10 of this Prospectus.

Privacy Statement

The Company collects information about each Applicant provided on an Application Form for the purposes of processing Application Forms and, if the Applicant is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

The Corporations Act requires the Company to include information about the security holder (including name, address and details of securities held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

An Applicant has the right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

Timetable

Event	Date
ASX Announcement	19 September 2012
Prospectus lodged with ASIC and ASX	19 September 2012
Appendix 3B lodged with ASX	19 September 2012
Appendix 3B Notice sent to Shareholders	21 September 2012
Shares quoted on 'ex' basis	24 September 2012
Record Date for Offer participation	28 September 2012
Prospectus and Entitlement and Acceptance Form despatched to Eligible Shareholders and Opening Date of the Offer	4 October 2012
Proposed Closing Date of the Offer (5.00 pm Adelaide time)	18 October 2012
New Shares and Attaching Options quoted on a 'deferred settlement' basis	19 October 2012
ASX advised of any Shortfall	23 October 2012
Proposed date for the allotment of New Shares and Attaching Options	26 October 2012
Deferred settlement trading ends	26 October 2012
Proposed date for quotation of New Shares and Attaching Options	29 October 2012

This timetable is indicative only and the Company reserves the right to vary it at any time without prior notice subject to the Listing Rules and the Corporations Act.

Highlights of the Issue

- One-for-three non-renounceable rights issue of New Shares at an issue price of \$0.03 per New Share.

- One free Attaching Option for each New Share issued to Shareholders with an exercise price of \$0.03 and an expiry date two years after the date of grant. The Company will apply for the Attaching Options to be listed on ASX.
- Shareholders may apply for extra New Shares in addition to their Entitlement.
- Placement of any Shortfall Shares (if applicable) from the rights issue.

Risks

Some of the risks involved with investing in the Company are summarised in section 6 of this Prospectus. The key risks include:

- General market conditions
- Future capital requirements
- Exploration and development, including development consents and costs
- Operational risks: production and operation; health and safety; counterparty risk
- Regulatory risk: legislation and regulations including environmental law, native title and Aboriginal heritage

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SECTION 1: CORPORATE DIRECTORY

Directors

Mr Derek Carter (Non-Executive Chairman)
Mr Terry Kallis (Managing Director)
Mr Richard Bonython (Non-Executive Director)
Mr Richard Hillis (Non-Executive Director)
Mr Simon O'Loughlin (Non-Executive Director)
Mr Lewis Owens (Non-Executive Director)

Auditors

Grant Thornton
South Australian Partnership
Chartered Accountants
Level 1
67 Greenhill Road
WAYVILLE SA 5034

Company Secretary

Mr Donald Stephens

Legal Advisers to the Company

O'Loughlins Lawyers
Level 2
99 Frome Street
ADELAIDE SA 5000

Registered Office

c/- HLB Mann Judd (SA) Pty Limited
169 Fullarton Road
DULWICH SA 5065

Share Registrar

Computershare Investor Services Pty Limited
Level 5
115 Grenfell Street
ADELAIDE SA 5000

Contact Details

Petratherm Limited
Level 1
129 Greenhill Road
UNLEY SA 5061

Telephone: (08) 8274 5000
Facsimile: (08) 8272 8141
Website: www.petratherm.com.au
Email: admin@petratherm.com.au

ASX Code

PTR

SECTION 2: CHAIRMAN'S LETTER

19 September 2012

Dear Shareholder

The Board of Petratherm Limited (**Company**) is pleased to offer Eligible Shareholders the opportunity to participate in the Offer of New Shares (**Rights Issue**), which was announced to ASX on 19 September 2012.

By the Offer the Company is making a non-renounceable pro rata offer of New Shares to Eligible Shareholders on the basis of one New Share for every three Shares held in the Company on the Record Date at an issue price of \$0.03 for each New Share, to raise a maximum of \$1,487,316.

In addition, subscribers under the Offer will receive one Attaching Option at no additional cost for every one New Share allotted pursuant to this Prospectus. The Attaching Options will be exercisable at \$0.03 each on or before the second anniversary of the date of grant.

The Offer provides Eligible Shareholders with an opportunity to increase their investment in the Company at an attractive price. The issue price of the New Shares under the Offer represents a 23.08% discount to the closing price of \$0.039 per Share on the day before the Offer was announced to ASX. There is also the attraction of the Attaching Options at no additional cost.

Funds raised from the issue of New Shares (net of costs of approximately \$72,000) will be used for potential new project acquisition and for working capital purposes.

This Prospectus contains detailed information about the Company and the Offer. Please read this Prospectus carefully before you make your investment decision and, where necessary, consult your professional advisers.

The Board looks forward to your support of the Rights Issue.

Yours faithfully



Derek Carter
Chairman

SECTION 3: DETAILS OF THE OFFER

3.1 The Offer

By this Prospectus the Company is making a non-renounceable pro rata offer of New Shares to Eligible Shareholders on the basis of one New Share for every three Shares held in the Company on the Record Date at an offer price of \$0.03 for each New Share, to raise up to \$1,487,316. If all or some of the Current Options are exercised prior to the Record Date, this will impact on the maximum number of New Shares to be issued under the Offer.

In addition, subscribers under the Offer will receive one Attaching Option at no additional cost for every one New Share allotted pursuant to this Prospectus. The Attaching Options will be exercisable at \$0.03 each on or before the second anniversary of the date of grant.

In the calculation of any entitlement, fractions will be rounded up to the nearest whole number.

3.2 Opening and Closing Dates

The Offer will open for receipt of Applications immediately following the despatch of this Prospectus to Eligible Shareholders.

The Closing Date for the Offer is anticipated to be 5.00 pm (Adelaide time) on 18 October 2012. This date may be varied by the Company without prior notice subject to the Listing Rules and the Corporations Act.

3.3 What is my entitlement?

The number of New Shares to which you are entitled is shown in the accompanying Application Form.

You can elect:

- to subscribe for all of your Entitlement;
- to subscribe for Shortfall Shares, if you subscribe for all of your Entitlement;
- to subscribe for part of your Entitlement; or
- to not take up any of your Entitlement.

Please note that if you choose not to accept your Entitlement your shareholding in the Company will be proportionally diluted to the extent that the Offer is taken up by other Shareholders.

3.4 Shortfall Shares

In addition to being able to apply for New Shares in the manner described above, Shareholders who subscribe for their full Entitlement will also have the opportunity to apply for New Shares that are not subscribed for in the Offer, subject to the limitations set out in section 3.6 of this Prospectus.

3.5 How to take up all or part of your Entitlement

To subscribe for New Shares offered to you, please complete the accompanying Application Form according to the instructions on it for all, or the part you wish to subscribe for, of your Entitlement or make payment via BPay.

You may participate in the Offer as follows:

(a) **If you wish to accept your Entitlement in full:**

- complete the Application Form, filling in the details in the spaces provided and attach your cheque or bank draft (as described below) for the amount indicated on your Application Form; or
- make your payment via BPay in accordance with the instructions below; or

(b) **If you wish to accept your Entitlement in full and apply for Shortfall Shares:**

- complete the Application Form and fill in the number of Shortfall Shares you wish to apply for in the space provided on the Application Form and attach your cheque or bank draft (as described below) for the appropriate application monies (at \$0.03 per New Share subscribed); or
- make your payment via BPay in accordance with the instructions below; or

(c) **If you wish to accept part of your Entitlement:**

- fill in the number of New Shares you wish to accept in the space provided on the Application Form and attach your cheque or bank draft (as described below) for the appropriate application monies (at \$0.03 per New Share subscribed); or
- make your payment via BPay in accordance with the instructions below; or

(d) **If you do not wish to accept all or part of your Entitlement, then take no action.**

Completed Application Forms, together with a cheque or bank draft in payment for all New Shares you wish to subscribe for, must be sent to the Company's share registry, Computershare Investor Services Pty Limited, in the reply paid envelope or to GPO Box 2987, Adelaide SA 5001 so that they reach the registry by no later than 5.00 pm (Adelaide time) on 18 October 2012.

Acceptances will not be valid if they are received after the Closing Date.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the Application Form as valid and how to construe the Application Form is final.

Payments must be in Australian currency and by:

- cheque drawn on and payable at any Australian bank; or
- bank draft drawn on and payable at any Australian bank.

Cheques or bank drafts must be made payable to 'Petratherm Limited Rights Issue' and crossed 'Not Negotiable'. Cash payments will not be accepted and receipts for payment will not be provided.

Alternatively payment can be made via BPay by following the instructions on the Application Form.

Please note that should you choose to pay by BPay:

- you do not need to submit the enclosed Application Form but are taken to make the declarations, warranties, representations and agreements on that Application Form;
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your payment; and
- if your payment exceeds the amount you need to pay for your full Entitlement, you are deemed to have taken up your full Entitlement and applied for such whole number of Shortfall Shares which is covered in full by your payment after deducting the amount you need to pay for your full Entitlement.

It is the responsibility of the Applicant to ensure funds submitted through BPay are received by no later than 5.00 pm (Adelaide time) on 18 October 2012. You should be aware that your financial institution may implement earlier cut off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

3.6 **Subscription for Shortfall**

(a) **How to apply for Shortfall Shares**

In addition to being able to apply for New Shares in the manner described above, Shareholders who take up their Entitlement in full will also have the opportunity to apply for Shortfall Shares.

Shortfall Shares will be issued at the same price and on the same terms as the New Shares and a Shareholder may only make an application for Shortfall Shares if it applies for its maximum Entitlement.

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions. If the Company receives applications for Shortfall Shares that would result in the Offer being oversubscribed, then the Company will not accept such oversubscriptions and will reject applications at its absolute discretion.

The Directors reserve the right to reject any application for Shortfall Shares or to allot a lesser number of Shortfall Shares than applied for. Application monies received but not applied towards subscriptions for Shortfall Shares will be refunded as soon as practicable. No interest will be paid on application monies held and returned. Furthermore, the Company will not issue Shortfall Shares where to do so would result in a breach of the Corporations Act or the Listing Rules.

(b) **Completion of Application Form**

All acceptances for New Shares and applications for Shortfall Shares offered under this Prospectus must be made on the personalised Application Form or by making payment via BPay, in accordance with the instructions set out in the form.

(c) **Placement of Shortfall Shares**

Under an exception to the Listing Rule 7.1 requirement for shareholder approval to an issue of securities in excess of 15% of a company's issued share capital, the Company may issue any Shortfall Shares that are not successfully subscribed for by Shareholders at the discretion of the Directors provided that:

- the price at which the Shortfall Shares are issued is not less than the issue price for the New Shares under the Offer; and
- the Shortfall Shares (or any number of them) are issued within three months after the Closing Date.

If there is such a shortfall, then the Board reserves the right to utilise this exception to Listing Rule 7.1, in which case the Board may:

- seek bids from institutions and other prospective investors for the New Shares comprising the shortfall; and
- determine the issue price and allot the New Shares on the basis of those bids.

The Company may pay fees or commissions determined at the time of offering or issuing Shortfall Shares. Recipients of Shortfall Shares need not be shareholders of the Company. The Company and Taylor Collison Limited (**Taylor Collison**) are parties to a letter agreement dated 18 September 2012 under which the Company grants Taylor Collison the right to place any or all of the Shortfall Shares within three months after the Closing Date, in consideration for a fee of 5% (plus GST) on any such placement.

3.7 **No Rights Trading**

Your Entitlement is non-renounceable. Accordingly, there will be no trading of rights on ASX and you will be unable to dispose of your Entitlement to another party. If you do not take up your Entitlement by the Closing Date, the unexercised portion of your Entitlement will lapse.

3.8 **Application Monies**

Prior to the allotment and issue of New Shares and the allotment and grant of Attaching Options, all application monies received under the Offer shall be held by the Company on trust.

Application monies will be returned (without interest) if the relevant New Shares are not allotted and issued and Attaching Options are not allotted and granted.

3.9 **Allotment and Allocation**

The New Shares will be allotted and issued and Attaching Options allotted and granted by no later than the proposed date of 26 October 2012. Holding statements in relation to the New Shares and Attaching Options will be despatched as soon as practicable after the securities are allotted.

It is the responsibility of Applicants to determine their allocation prior to trading in New Shares and Attaching Options. Applicants who sell any of those New Shares or Attaching Options before they receive their holding statements will do so at their own risk.

3.10 **ASX Quotation**

The Company will apply to ASX within seven days after the date of this Prospectus for admission to Official Quotation of the New Shares and Attaching Options offered under this Prospectus.

The Company and Taylor Collison are parties to a letter agreement dated 18 September 2012 under which Taylor Collison undertakes to cause such number of applications to be lodged so that there are at least 50 Optionholders with a marketable parcel (as defined in the Listing Rules), excluding restricted securities, in consideration for a fee of \$5,000 (plus GST).

If ASX does not grant permission for Official Quotation of the New Shares and Attaching Options within three months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the New Shares will be allotted and issued and none of the Attaching Options will be allotted and granted (unless ASIC grants to the Company an exemption permitting the allotment, issue and grant) and the Company will return all application money as soon as practicable without interest.

The fact that ASX may admit the New Shares and Attaching Options to Official Quotation is not to be taken in any way as an indication of the merits of the Company or the New Shares and Attaching Options offered by this Prospectus.

3.11 **CHESS**

The Company participates in CHESS. CHESS is operated by ASX Settlement (a wholly owned subsidiary of ASX) in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, Applicants will receive a statement of their holding of Shares and Options (including New Shares and Attaching Options granted under this Prospectus).

If you are broker sponsored, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of New Shares and Attaching Options issued and granted under this Prospectus, and provide details of your holder identification number and the participant identification number of the sponsor.

If you are registered on the Issuer Sponsored Subregister, your statement will be despatched by the Company's share registry, Computershare Investor Services Pty Limited, and will contain the number of New Shares issued to you and Attaching Options granted to you under this Prospectus and your security holder reference number.

CHESS statements and Issuer Sponsored statements will routinely be sent out to holders of Shares and Options at the end of any calendar month during which the balances of their holdings change. Holders may request a statement at any other time, however a charge may be payable for additional statements.

3.12 **Taxation**

Investors should seek and rely on their own taxation advice regarding an investment in the Company as the taxation consequences will depend on the investor's particular circumstances.

3.13 **Ranking**

The New Shares will rank equally with the existing Shares on issue. The rights attaching to New Shares are referred to in section 7.1 of this Prospectus.

The terms and conditions of the Attaching Options are set out in section 7.2 of this Prospectus. Any Shares issued on the exercise of the Attaching Options will rank equally with the existing Shares on issue.

3.14 **Withdrawal of Prospectus**

The Directors may at any time decide to withdraw this Prospectus, in which case the Company will repay, as soon as practicable and without interest, all application monies received pursuant to this Prospectus.

3.15 **Enquiries**

If you have any questions regarding the Offer, or any of the documents referred to in this Prospectus, please contact the Company by telephone on (08) 8274 5000.

SECTION 4: PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The primary purpose of the Offer is to pay the expenses of the Offer, potential new project acquisition and for working capital purposes.

The maximum amount which can be raised under the Offer if all New Shares are issued is \$1,487,316. This assumes that none of the Current Options is exercised prior to the Record Date given that the exercise prices of the Current Options range between \$0.13 and \$1.20.

The Directors intend to apply the proceeds from the Offer as follows:

Use of Funds	If all New Shares are issued (\$)
Costs of Offer	\$72,000
Potential New Project Acquisition and General Working Capital	\$1,415,316
Total	\$1,487,316

4.2 Effect of the Offer

Assuming all Eligible Shareholders take up the Offer in full, the principal effect of the Offer will be to:

- (a) increase cash reserves by approximately \$1,415,316 after deducting estimated costs of the Offer;
- (b) increase the number of Shares on issue from 148,731,583 Shares as at the date of this Prospectus to approximately 198,308,777 Shares comprising:
 - (i) 148,731,583 Shares as at the date of this Prospectus; and
 - (ii) approximately 49,577,194 New Shares,disregarding fractions and assuming that none of the Current Options is exercised prior to the Record Date;
- (c) increase the number of Options on issue from 7,780,000 Options as at the date of this Prospectus to approximately 57,357,194 Options comprising:
 - (i) 7,780,000 Current Options as at the date of this Prospectus; and
 - (ii) approximately 49,577,194 Attaching Options,disregarding fractions and assuming that none of the Current Options is exercised prior to the Record Date.

4.3 Impact on Financial Position

The Offer will have an effect on the Company's financial position.

The following unaudited pro forma consolidated balance sheet of the Company as at 30 June 2012 incorporates the effect of the Offer.

Included in the pro forma balance sheet are the following adjustments:

- (a) the issue of 49,577,194 New Shares under this Prospectus, to raise \$1,487,316 before costs of the Offer;
- (b) the payment of costs of the Offer totalling \$72,000 which are paid from the proceeds of the Offer pursuant to this Prospectus; and
- (c) in accordance with generally accepted accounting practice, the costs of the Offer will be expensed directly against share capital.

	Consolidated Unaudited 30 June 2012 \$	Consolidated Unaudited Pro forma 2012 \$
CURRENT ASSETS		
Cash and cash equivalents	1,314,578	2,729,894
Trade and other receivables	222,219	222,219
Other current assets	43,618	43,618
TOTAL CURRENT ASSETS	1,580,415	2,995,731
NON-CURRENT ASSETS		
Property, plant and equipment	82,651	82,651
Exploration and evaluation assets	19,032,635	19,032,635
TOTAL NON-CURRENT ASSETS	19,115,286	19,115,286
TOTAL ASSETS	20,695,701	22,111,017
CURRENT LIABILITIES		
Trade and other payables	318,343	318,343
Short term provisions	44,090	44,090
TOTAL CURRENT LIABILITIES	362,433	362,433
NON-CURRENT LIABILITIES		
Long term provisions	8,624	8,624
Other	2,898,000	2,898,000
TOTAL NON-CURRENT LIABILITIES	2,906,624	2,906,624
TOTAL LIABILITIES	3,269,057	3,269,057
NET ASSETS	17,426,644	18,841,960

EQUITY		
Issued capital	31,450,493	32,865,809
Reserves	(211,414)	211,414
Retained earnings	(13,812,435)	13,812,435
Parent interests	17,426,644	18,841,960
Non-controlling interests	-	-
TOTAL EQUITY	17,426,644	18,841,960

The unaudited pro forma balance sheet has been prepared assuming maximum take up of rights issue.

SECTION 5: PROJECT OVERVIEW

5.1 Paralana Engineered Geothermal Project – South Australia (79% Interest)

The Paralana Project is an advanced Engineered Geothermal Systems Project in Joint Venture with Beach Energy Limited (which has a 21% interest, with the right to earn up to a 36% interest). Exploration works to date have been successful, with a deep injection well to four kilometres depth; optimum operating temperatures achieved for efficient binary power production; an extensive complex fracture stimulation achieved to allow the circulation of waters through the hot rock; and the discovery of pre-existing over-pressured fluids in fractures.

The Company has identified an Inferred Resource of 4,900 petajoules (**PJ**) and an Indicated Resource of 4,400 PJ, over the depth interval of 3,500 metres to 4,000 metres. This provides the energy potential for the Company's long term ambition of generating 600 megawatts of electric power (**MWe**) into the national electricity market. In addition, the initial stimulated volume of rock at the Paralana 2 well site provides a Measured Resource estimate of 41 PJ_{th}, which has the potential to sustain 5.4 MWe of power production for around 30 years.

The next major stage of works is the drilling of a Paralana 3 deep well, and further reservoir stimulation works to complete the fluid circulation loop. This will be followed by the installation of a pilot plant of up to 3.5 MWe in size to provide power to the neighbouring Beverley Uranium Mine.

The Company's formal Expression of Interest for the Paralana next stage of works was successful and the Company has been invited to submit a Project Funding Application under the \$126 million Emerging Renewables Program. The Company, on behalf of the Joint Venture partners, intends to apply for grant monies (nominally \$13 million) to fund approximately half of the drilling of a Paralana 3 deep well, fracture stimulation of that well and demonstration of flows between the Paralana 2 and 3 deep wells.

Concurrently, the Company is exploring further avenues to enable it to satisfy its share of Joint Venture funding for the next stages of the Paralana project. It should be noted recent changes (effective for the 2011/12 financial year) to the Research and Development (**R&D**) Tax Incentive now provide for companies with eligible R&D expenditure to receive refundable cash tax offsets equivalent to 45% of expenditure. Based on its 79% interest in the Paralana project, the Company has estimated that it may receive up to \$7.2 million in cash rebates under the R&D Tax Incentive from the next stage of works which will nominally occur over a two year period and expend \$26 million.

The Company believes, based on its success to date, that the Paralana project represents one of the best opportunities to demonstrate economic flows between two engineered geothermal system wells and supply electricity, initially to the nearby market of Beverley Uranium Mine. The Company is therefore confident that it can provide a compelling case for grant funding.

5.2 Tenerife Project – Spain (93% Interest)

The Tenerife Project is a conventional geothermal project on the active volcanic Island of Tenerife. The Company currently holds four Investigation Permits, covering a total of 384 km². The Island has a population of approximately 900,000 inhabitants and receives 5 million visitors per year. There is substantial power demand, which is mostly supplied by imported fuel oil which is high-cost and has high-emissions. The Tenerife market has been defined as 400 megawatts (**MW**) base load, with peak requirements as high as 800 MW. The project aims at generating 50 MW of power and delivering it to the grid by 2015.

The chemistry of active fumaroles located in the Tiede volcanic cone suggests a liquid hydrothermal system exists below the central cone with reservoir temperatures calculated to be about 240°C. Magneto-telluric geophysical survey work has confirmed the presence of a large conductive zone beneath the volcano typical of the response recorded by a hydrothermal alteration clay cap. Further magneto-telluric work is underway to define the best potential up-welling zones for drill testing. This work along with other planned geochemical surveys are funded by a collaborative research grant worth a total of \$1 million. The Company is in advanced negotiations with a number of potential joint venture parties to fund the deep drill testing.

5.3 **Clean Energy Precinct – South Australia (100% Interest)**

The Clean Energy Precinct (CEP) is a multi-faceted project that aims to combine gas, wind, solar and geothermal energy to supply base load, low cost, renewable power to meet the growing demands of mining developments such as Olympic Dam, Prominent Hill and Carapateena in northern South Australia. The CEP project location has been selected because it is the nearest point to the ‘on grid’ market where there is a ‘convergence’ of all four future strategic resources. This enables a unique offering to the market where the different energy sources can be combined in a variety of ways to deliver attractive hybrid products that lower costs - and improve energy security/reliability - of electricity supply while reducing carbon dioxide emissions.

The CEP project is located just north of the Company’s Paralana geothermal energy joint venture project on the Moolawatana pastoral lease, where the Company has secured an exclusive position to develop the CEP project. In addition, the Company secured the geothermal rights over the CEP, with the geothermal exploration licence GEL 603 (approximately 2,600km²). Work is underway to negotiate an Indigenous Land Use Agreement with the Native Title Holders affected by the CEP project.

The CEP project has taken an important step towards feasibility with the preliminary assessment of an expected commercial wind resource undertaken by independent expert wind consultants GL Garrad Hassan Pacific Pty Ltd. Preliminary wind energy production estimates indicate there is good potential to develop up to 300 MW of high yielding wind power generation and capacity factors for wind power generation are expected to range between 33.2% (good) and 42.8% (excellent).

5.4 **East Gippsland – Victoria (100% Interest)**

The East Gippsland Project is a 9,000 km² geothermal exploration permit over an onshore portion of the Gippsland Basin. The Company is targeting the basin for hot sedimentary aquifer sources primarily for electricity generation. Historical petroleum drilling in the area indicates temperatures in excess of 150°C occur at economically viable drill depths (3.5 kilometres to 4 kilometres). The exploration model is targeting potentially permeable reservoir sequences, or fracture permeability zones, which may contain brine fluids that can be extracted at a commercial geothermal flow rate.

5.5 **Madrid District Heating Project – Spain (93% Interest)**

The Company holds an investigation permit and applications covering a total of 101 km² over portions of the Madrid Basin in the northern outskirts of the Madrid City area. The main investigation project site is the Geomadrid Project, where one historical well has been drilled through a regional aquifer system between 1,550 metres and 2,000 metres depth, which records an average fluid temperature of 74°C and yields a high flow rate of 55 litres per second. The Company has completed local heat load profile studies of neighbouring customers and a final design of the initial Madrid district heat system. Discussions with a

major European utility to joint venture into the project are ongoing. The Madrid District Heating Project has been highlighted as one of six renewable energy projects of interest within the Madrid Regional Government's Renewable Energy Cluster, which is seeking to advance renewable energy projects in the Madrid region.

5.6 **Competent Person Statements**

The information in paragraph 2 of section 5.1 of this Prospectus that relates to Geothermal Resources is an extract from a report compiled by Dr Graeme Beardsmore, who appears on the Register of Practicing Geothermal Professionals maintained by the Australian Geothermal Energy Group Incorporated at the date of this Prospectus. Dr Beardsmore is employed by Hot Dry Rocks Pty Ltd, an independent consulting group that provides professional services to the Company. Dr Beardsmore has sufficient experience which is relevant to the style and type of geothermal play under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Second Edition (2010) of the 'Australian Code for Reporting Exploration Results, Geothermal Resources and Geothermal Reserves'. Dr Beardsmore has consented in writing to the inclusion in this Prospectus of the matters based on his information in the form and context in which they appear.

All other information in this section 5 of this Prospectus that relates to Exploration Results is based on information compiled by Mr Peter Reid, who appears on the Register of Practicing Geothermal Professionals maintained by the Australian Geothermal Energy Group Incorporated at the date of this Prospectus. Mr Reid is a full time employee of the Company. Mr Reid has sufficient experience which is relevant to the style and type of geothermal play under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Second Edition (2010) of the Australian Code for Reporting Exploration Results, Geothermal Resources and Geothermal Reserves. Mr Reid has consented in writing to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

SECTION 6: RISKS

The New Shares and Attaching Options offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. While the Directors commend the Offer, potential investors should consider whether the New Shares and Attaching Options offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. This list is not exhaustive and potential investors should read this Prospectus in its entirety and, if in any doubt, consult their professional advisers before deciding whether to participate in the Offer.

6.1 General Risks

(a) Share Market

Share market conditions may affect listed securities regardless of operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- movements in, or outlook on, interest rates and inflation rates;
- currency fluctuations;
- commodity prices;
- changes in investor sentiment towards particular market sectors; and
- the demand for, and supply of, capital.

Many factors will affect the price of the Shares including local and international stock markets, movements in commodity prices, interest rates, economic conditions and investor sentiment generally.

(b) Economic Factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. The Company's future possible revenues and Share price can be affected by these factors which are beyond the control of the Company and its Directors.

(c) Government

Changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and the returns to investors.

6.2 Exploration and Development

The Company is an exploration and development company focusing on renewable geothermal energy from geothermal resources. There is a significant risk for the Company that the proposed exploration and development programs will not result in success. Exploration and development of this type, by its nature, is a high-risk endeavour and consequently there can be no assurance that exploration of the Company's project areas will result in a discovery of geothermal resources with the characteristics required to result successfully in the economic generation of power. Should a discovery be made, there is no guarantee that it will be commercially viable. While the Directors will make every effort to reduce these risks, through their experience in the exploration and oil/gas and geothermal industry, the fact remains that a commercially viable discovery is very much the exception rather than the rule and success can never be guaranteed.

Geothermal exploration, project development and energy production by their nature contain elements of significant risk. The success of these activities is dependent on many factors including:

- the discovery and/or acquisition of economically recoverable renewable energy reserves;
- successful conclusions to bankable feasibility studies;
- access to adequate capital for project development;
- investment from existing or new joint venture parties;
- design and construction of efficient heat exchanger and surface infrastructure within budgets;
- securing and maintaining title to tenements;
- obtaining consents and approvals necessary for the conduct of exploration and energy production;
- access to competent operational management and prudent financial administration;
- availability and reliability of appropriately skilled and experienced employees;
- cost and/or time overruns in relation to drilling;
- technical problems with drilling;
- adverse weather conditions over a prolonged period; and
- equipment failures and other accidents.

Whether or not income will result from development of the Company's projects depends on the successful establishment of geothermal energy production. Factors including costs, depth to basement, consistency and reliability of geothermal and energy prices affect successful project development and heat extraction operations.

6.3 **Native Title Risk**

The Company's geothermal exploration licences (**GELs**) have been granted on the basis that the relevant native title legislation does not apply. The native title implications of the grant of the GELs have not been considered by any Court. There is a risk that the grant of the GELs may be challenged or ultimately held to be invalid as to native title.

6.4 **Aboriginal Significant Sites**

Commonwealth and State legislation obliges the Company to identify and protect sites of significance to Aboriginal custom and tradition. Some sites of significance may be identified within the Company's tenements. It is therefore possible that one or more sites of significance will exist in an area which the Company considers to be prospective. The Company's policy is to carry out clearance surveys prior to conducting exploration which would cause a disturbance to the land surface.

6.5 **Environmental Risks**

The petroleum and energy industries have become subject to increasing environmental responsibility and liability. The potential for liability is an ever-present risk.

Exploration work will be carried out in a way that causes minimum impact on the environment. Consistent with this, it may be necessary in some cases to undertake baseline environmental studies prior to certain exploration or drilling activities, so that environmental impact can be monitored and, as far as possible, minimised. While the Company is not aware of any endangered species of fauna and flora within any of its project areas, no baseline environmental studies have been undertaken to date, and discovery of such could prevent further work in certain areas.

6.6 **No Valuation**

No formal valuation has been completed of the geothermal projects or the Shares of the Company. The Company makes no representation as to the value of the geothermal assets. It is recommended that intending investors and their advisers should make their own assessment as to the value of the geothermal projects.

6.7 **Regulatory Risk**

The Company's activities will require compliance with various laws, both State and Commonwealth, relating to the protection of the environment and Aboriginal culture and heritage and native title. In particular, the Company will be relying upon financial incentives provided under the *Renewable Energy (Electricity) Act 2000* (Cth). The introduction of new legislation, amendments to existing legislation, changes in government policy or interpretation of existing laws could have a material adverse effect on the Company. The Company's activities will also require compliance with various laws, both Regional and Federal, in Spain.

6.8 **New Licences**

The Company will have to obtain retention licences and production licences to extract or release geothermal energy. Native title legislation could apply to the grant of these licences and require the Company to follow the right to negotiate procedure before such tenements could be validly granted.

6.9 **Electricity Market**

The ability of the Company to successfully enter the commercialisation phase of its activities will depend upon its ability to sell the electricity on commercial terms and prices. There can be no assurance that the Company will ultimately be able to sell the electricity it produces on commercial terms. Electricity is a traded commodity in Australia and its long term price may rise or fall. The royalty requirements of the South Australian Government for a producing geothermal power station have not yet been determined. These requirements may have a material adverse effect on the Company. Similarly, the commercial success of the Company's activities depends on the electricity market in Spain.

6.10 **Renewable Energy Certificates**

The future value of renewable energy certificates depends in part on government policy and on the commercial outlook for participants in the electricity industry. The future price of renewable energy certificates may rise or fall depending upon the availability of qualifying electricity from other renewable sources and on demand for the certificates from electricity retailers. There can be no assurance that the Company will be able to obtain an adequate price for renewable energy certificates. The Renewable Energy Target (RET) scheme is currently under review, with submissions having closed on 14 September 2012.

6.11 **Future Financing**

The Company will be required to raise significant additional equity and/or debt capital to finance its future exploration, development and commercialisation activities. There can be no assurance that the Company will be able to raise that finance on acceptable terms, in a timely manner or at all.

6.12 **Competition**

There is always the risk of competition both in relation to extraction of geothermal energy and to the creation of electricity from other renewable energy sources such as wind, hydro or solar power. Competition may have a material adverse effect on the Company.

6.13 **Other Risks**

While the Company will be subject to normal business risks as outlined in this section 6, the immediate risks are associated with the accuracy of geophysical and geological modelling to provide estimations as to the actual source of the various features under examination, their depth of burial and their content of naturally occurring radiogenic material. This, together with the insulating properties of the overlying sediments, will determine the temperature of the geothermal source. In addition, risk is associated with the ability of stress modelling to provide accurate estimates of the ultimate fracture patterns that will result from the hydraulic fracturing process. This, in turn, will determine the Company's ability to develop a heat exchange process for the development of geothermal energy.

Beyond the exploration and commercialisation stages, there is unspecified long term operational risk arising from the fact that the generation of electricity from geothermal resources is an industry in its infancy. As a result, there is no long term operating history, or precedent, upon which to base a comprehensive assessment of the risks attached to the maintenance of long term (20 year plus) water re-circulation through a subsurface heat exchanger. It is possible that chemical interaction between circulating water and geothermal sources could lead to an alteration impairing the theoretical efficiency of the heat exchange mechanism and/or result in a build up of soluble compounds in re-circulated water, requiring treatment and operational expense beyond that projected in economic modelling.

SECTION 7: RIGHTS AND LIABILITIES ATTACHING TO SHARES AND TO ATTACHING OPTIONS

7.1 Shares

The New Shares and the Shares issued on the exercise of the Attaching Options and Current Options will rank equally with the existing Shares on issue.

The rights and liabilities attaching to Shares are set out in the Company's Constitution and are regulated by the Corporations Act, the general law, the Listing Rules and the ASX Settlement Operating Rules.

The following is a summary of the rights and liabilities attaching to Shares:

(a) General Meetings

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the Listing Rules.

(b) Voting

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the Listing Rules, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of shares in the Company have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members.

(c) Issues of Further Shares

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the shares in special classes of shares.

(d) Variation of Rights

At present, the Company has on issue one class of shares only, namely ordinary shares. The rights attached to the shares in any class may be altered only by a special resolution of the Company and a special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

(e) **Transfer of Shares**

Subject to the Company's Constitution, the Corporations Act, the ASX Settlement Operating Rules and the Listing Rules, securities are freely transferable.

Shares may be transferred by a proper transfer effected in accordance with ASX Settlement Operating Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act. The Company may decline to register a transfer of shares in the circumstances described in the Company's Constitution and where permitted to do so under the Listing Rules. If the Company declines to register a transfer, the Company must, within five business days after the transfer is lodged with the Company, give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of shares when required by law, by the Listing Rules or by the ASX Settlement Operating Rules.

(f) **Partly Paid Shares**

The Directors may, subject to compliance with the Company's Constitution, the Corporations Act and the Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

(g) **Dividends**

The Company in general meeting may declare a dividend if the Directors have recommended a dividend, and a dividend shall not exceed the amount recommended by the Directors. The Directors may authorise the payment to the members of such interim dividends as appear to the Directors to be justified by the Company's profits and for that purpose may declare such interim dividends.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid proportionally to the amount paid up or credited as paid up on the shares.

(h) **Winding Up**

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of the Company in proportion to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

(i) **Dividend Plans**

The Directors or the members of the Company, in general meeting, may establish and maintain dividend plans under which (among other things) a member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company or a member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive shares instead.

(j) **Directors**

The Company's Constitution states that the minimum number of directors is three.

(k) **Powers of the Board**

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Company's Constitution.

7.2 **Terms and Conditions of Attaching Options**

The Attaching Options will be granted on the following terms and conditions:

- (a) The Optionholder is entitled on payment of \$0.03 per Share (**Exercise Price**) to be allotted one Share in the Company for each Option exercised (subject to possible adjustments referred to below).
- (b) The Options held by the Optionholder are exercisable in whole or in part at any time on or before the second anniversary of the date of grant (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
- (c) Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the Exercise Price in cleared funds.
- (d) The Company will apply for official quotation on ASX of the Options. The Company will also apply for official quotation on ASX of New Shares allotted on exercise of the Options. Those Shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.
- (e) Options are freely transferable.
- (f) An Optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give prior notice to the Optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.
- (g) If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
- (h) If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = O - \frac{E[P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the Option;

- O = the old exercise price of the Option;
- E = the number of underlying ordinary shares into which one Option is exercisable;
- P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
- S = the subscription price for a security under the pro rata issue;
- D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- (i) If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

SECTION 8: ADDITIONAL INFORMATION

8.1 Litigation

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

8.2 Share trading history

The highest and lowest market sales price of the Company's Shares on ASX during the three months immediately preceding the date of lodgment of this Prospectus with ASIC, and the respective dates of those sales and the last sale on the Business Day immediately preceding the date of lodgment of this Prospectus with ASIC, were:

	Date	Price
Highest	21 June 2012	\$0.055
Lowest	11 September 2012	\$0.033
Latest	18 September 2012	\$0.039

8.3 Interests of Directors

Except as disclosed in this Prospectus, no Director has, or had, within two years before lodgment of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

- to induce him to become, or to qualify him as, a Director; or
- for services rendered by him in connection with the formation or promotion of the Company or the Offer.

Securities

The direct and indirect interests of the Directors in the securities of the Company as at the date of this Prospectus are as follows:

Director	Shares		Current Options	
	Direct	Indirect	Direct	Indirect
Derek Carter	-	1,448,750	-	600,000
Terry Kallis	270,480	-	750,000	1,500,000
Richard Bonython	87,146	1,187,146	-	450,000
Richard Hillis	100,000	202,500	-	650,000
Simon O'Loughlin	833	357,500	-	450,000
Lewis Owens	-	192,500	-	450,000

Remuneration

Details of the remuneration of each Director for the period 1 July 2011 to 30 June 2012 are set out as follows:

Director	Directors' Fees	Consultancy Fees/Salary	Total
Derek Carter	\$56,000	-	\$56,000
Terry Kallis	-	\$332,112	\$332,112
Richard Bonython	\$42,783	-	\$42,783
Richard Hillis	\$39,250	-	\$39,250
Simon O'Loughlin	\$39,250	-	\$39,250
Lewis Owens	\$39,250	-	\$39,250

Notes

- (i) Remuneration is exclusive of superannuation.
- (ii) The aggregate maximum Directors' fees payable to non-executive Directors is set at \$300,000 per annum.

Mr Simon O'Loughlin is a Partner of O'Loughlins Lawyers, which has acted as the Legal Advisers to the Company. Details of the amounts paid to O'Loughlins Lawyers is set out in section 8.4 of this Prospectus.

All Directors are entitled to be paid all travelling and other expenses properly incurred by them in attending, participating in and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the business of the Company.

The Company maintains Directors' and Officers' Liability Insurance on behalf of the Directors and Officers of the Company.

Agreements

(i) Consultancy Agreement – Terry Kallis

The Company and Kallis & Co Pty Limited (**Consultant**) (a company of which Mr Terry Kallis is a director) are parties to a Consultancy Agreement dated 10 January 2012 under which the Company engages the Consultant to provide such management, administrative and other services customarily provided by a managing director of a company similar to the Company.

The Company will pay the Consultant an annual retainer of \$330,000 in equal monthly instalment in arrears.

Subject to obtaining shareholder approval (which was obtained on 2 March 2012), the Company has, in accordance with the Agreement, granted to the Consultant and/or its nominee 500,000 options each to acquire one fully paid ordinary share in the Company with an exercise price, rounded up to the next whole cent, 40% above the volume weighted average price of the Company's shares calculated over the last five days before the date shareholder approval for the grant of the options is given and an exercise period expiry date of the fifth anniversary after the date of grant.

The Company will reimburse the Consultant for any reasonable out of pocket expenses incurred in connection with the performance of services.

Either the Company or the Consultant may terminate the Agreement by giving three months' written notice to the other party or, in the case of the Company, paying the Consultant three months' retainer in lieu of notice.

Either the Company or the Consultant may terminate the Agreement if (among other things) the other party breaches any of the terms of the Agreement.

Mr Kallis guarantees the Consultant's performance of its obligations under the Agreement.

(ii) **Indemnity, Insurance and Access Deeds**

The Company has entered into an Indemnity, Insurance and Access Deed with each Director. Pursuant to the Deed the Director is indemnified by the Company against any liability incurred in their capacity as an officer of the Company to the maximum extent permitted by law, subject to certain exclusions.

The Company must keep a complete set of company documents until the later of the date which is seven years after the Director ceases to be an officer of the Company and the date after a final judgement or order has been made in relation to any hearing, conference, dispute, enquiry or investigation in which the Director is involved as a party, witness or otherwise because the Director is or was an officer of the Company (**Relevant Proceedings**).

The Director has the right to inspect and/or copy a company document in connection with Relevant Proceedings during the period referred to above.

The Company must maintain an insurance policy insuring the Director against liability as a director and officer of the Company while the Director is an officer of the Company and until the later of the date which is seven years after the Director ceases to be an officer of the Company and the date any Relevant Proceedings commenced before the date referred to above have been fully resolved.

The Company may cease to maintain the insurance policy if the Company reasonably determines that the type of coverage is no longer available.

8.4 **Interests of Experts and Advisers**

Except as disclosed in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds at the date of this Prospectus, or has held at any time during the last two years prior to the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or with the Offer; or
- (c) the Offer,

nor has anyone paid, or agreed to pay, any amount or given, or agreed to give, any benefit to any such person in connection with the promotion or formation of the Company or with the Offer.

O'Loughlins Lawyers has acted as Legal Advisers to the Company providing general advice to the Company and assisting in the preparation of this Prospectus. The Company estimates it will pay O'Loughlins Lawyers a fee of up to \$20,000 (excluding GST and disbursements)

for these services. During the two year period preceding the lodgment of this Prospectus with ASIC, O'Loughlins Lawyers has received \$82,144.50 (excluding GST and disbursement) from the Company for the provision of legal services.

Computershare Investor Services Pty Ltd has agreed to provide share registry services to the Company in accordance with a detailed schedule of fees listed in its 'Computershare Proposal to Petratherm Limited for the Provision of Professional Services for a Non-Renounceable Rights Issue' dated 6 September 2012.

8.5 **Consents**

Each of the parties referred to below:

- (a) does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by any of those parties (unless expressly stated to the contrary in this section);
- (b) has had no involvement in the preparation of this Prospectus (unless expressly stated to the contrary in this section);
- (c) has not authorised or caused the issue of this Prospectus; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

O'Loughlins Lawyers has given, and at the date hereof has not withdrawn, its written consent to be named in this Prospectus as the Legal Advisers to the Company in the form and context in which it is named.

Computershare Investor Services Pty Limited (**Computershare**) has given and, as at the date hereof, has not withdrawn, its written consent to be named in this Prospectus as Share Registrar in the form and context in which it is named. Computershare has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registrar to the Company. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

Grant Thornton South Australian Partnership has given, and at the date hereof has not withdrawn, its written consent to be named in this Prospectus as Auditors in the form and context in which it is named.

Copies of the consents referred to above are available for inspection, without charge, at the registered office of the Company during office hours.

There are other persons referred to in this Prospectus who have not made statements included in this Prospectus (including by incorporation by reference) nor are there any statements made in this Prospectus on the basis of any statements made by these persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

8.6 **Continuous Disclosure and Documents Available for Inspection**

This Company is a 'disclosing entity' for the purposes of section 111AC of the Corporations Act. As such it is subject to regular reporting and disclosure obligations which require it to disclose to ASX any information of which it is or becomes aware concerning the Company

and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any Regional Office of ASIC.

The New Shares to be issued pursuant to this Prospectus are Shares that are in the same class as the Shares of the Company that are and have been quoted on the stockmarket of ASX at all times in the three months before the date of this Prospectus.

The Attaching Options are options to acquire Shares that are in the same class as the Shares of the Company that are and have been quoted on the stockmarket of ASX at all times in the three months before the date of this Prospectus.

The Company will provide a copy of each of the following documents, free of charge, to any person who asks for it, during the application period for this Prospectus:

- (a) the annual financial report for the financial period of the Company ended 30 June 2011 (being the last annual financial report lodged with ASIC in relation to the Company before the issue of this Prospectus);
- (b) the half year financial report for the half year financial period of the Company ended 31 December 2011 (being the last half year report financial report lodged with ASIC after the lodgment of the annual financial report referred to in paragraph (a) above and before the lodgment of this Prospectus with ASIC); and
- (c) all continuous disclosure notices given by the Company after the lodgment of the annual financial report referred to in paragraph (a) above and before the lodgment of this Prospectus with ASIC being:

Document	Date
Presentation to the GRC Conference, San Diego	27 October 2011
Heliotherm submits funding application to ASI	28 October 2011
Change of Director's Interest Notice – DC	28 October 2011
Change of Director's Interest Notice – LO	28 October 2011
Change of Director's Interest Notice – RB	28 October 2011
Change of Director's Interest Notice – RH	28 October 2011
Change of Director's Interest Notice – TK	28 October 2011
Quarterly Cashflow Report	31 October 2011
Quarterly Activities Report	31 October 2011
BPT: Monthly Drilling Report - October 2011	02 November 2011
Petratherm welcomes carbon pricing decision	09 November 2011

Document	Date
Carbon pricing presentation by MD	14 November 2011
Presentation to the Australian Geothermal Energy Conference	16 November 2011
Presentation by Exploration Manager at AGEC	18 November 2011
Paralana Resource Statement	25 November 2011
AGM Chairman's Report	25 November 2011
AGM Presentation	25 November 2011
Results of Meeting	25 November 2011
Petratherm 2011 Annual General Meeting BRR webcast	01 December 2011
Petratherm unveils Clean Energy Precinct	07 December 2011
Petratherm's Clean Energy Precinct featured on BRR Interview	08 December 2011
Paralana Geothermal Energy Joint Venture Project Update	16 December 2011
Paralana Project Update - 22 Dec 2011	22 December 2011
Lapsed Options	09 January 2012
Appendix 3B	10 January 2012
Proposed Issue of Options	12 January 2012
Notice of General Meeting/Proxy Form	30 January 2012
Quarterly Cashflow Report	31 January 2012
Quarterly Activities Report	31 January 2012
Results of Meeting	02 March 2012
MD appointed as AGEA Chairman	06 March 2012
Appendix 3B	08 March 2012
Change of Director's Interest Notice - TK	08 March 2012
Half Year Accounts	09 March 2012
MD presents to SA Resources and Infrastructure Conference	20 March 2012
Petratherm featured on Boardroom Radio interview	22 March 2012

Document	Date
Tenerife Magnetotelluric (MT) Survey underway	27 March 2012
Lapse of Options	03 April 2012
MD presents to Australian Institute of Energy	12 April 2012
Quarterly Cashflow Report	30 April 2012
Quarterly Activities Report	30 April 2012
MD presents to SA Resources and Energy Investment Conference	01 May 2012
Preliminary wind energy production estimate for CEP	18 May 2012
Petratherm featured on Boardroom Radio Interview	20 June 2012
Change of Director's Interest Notice	20 June 2012
Lapsed Options	28 June 2012
MD presents at Clean Energy Week 2012	26 July 2012
Quarterly Cashflow Report	31 July 2012
Quarterly Activities Report	31 July 2012
MD presents to SA Major Projects Conference 2012	28 August 2012
Paralana Joint Venture Project Update	5 September 2012

If you require any further information in relation to the Company, it is recommended that you should take advantage of the ability to inspect or obtain copies of disclosures made by the Company as referred to above.

8.7 **Expenses of the Offer**

The estimated expenses connected with the Offer, which are payable by the Company, are as follows:

ASX fees	\$5,000
Legal fees	\$20,000
Professional fees	\$12,000
Printing, postage and other	\$35,000
Total	\$72,000

SECTION 9: DIRECTORS' CONSENTS

Each Director of Petratherm Limited has consented to the lodgment of this Prospectus with ASIC and has not withdrawn that consent prior to lodgment of this Prospectus.

Dated 19 September 2012

A handwritten signature in black ink, appearing to read 'T. Kallis', is positioned above the printed name and title.

Terry Kallis
Managing Director
Petratherm Limited

SECTION 10: DEFINITIONS

A\$ or \$ means an Australian dollar unless otherwise stated.

Adelaide time means the time in Adelaide, South Australia.

Applicant means a person who applies for New Shares and Attaching Options.

Application Form means the Entitlement and Acceptance Form to be used to apply for New Shares under the Offer that is referred to in, and accompanied by, a paper copy of this Prospectus.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, including its subsidiaries and controlled entities.

ASX Settlement means ASX Settlement Pty Limited ACN 008 504 532.

ASX Settlement Operating Rules means the operating rules of the ASX Settlement and, to the extent that they are applicable, the operating rules of ASX and the operating rules of ASX Clear Pty Limited ACN 001 314 503.

Attaching Options means the Options to be granted under the Offer pursuant to this Prospectus.

Board means the board of directors of the Company as constituted from time to time, unless the context indicates otherwise.

Business Day has the meaning given to that expression in the Listing Rules.

CHESS means ASX Clearing House Electronic Subregistry System.

Closing Date means 5.00 pm (Adelaide time) on 18 October 2012 or such other date as the Directors may determine, subject to the Listing Rules and the Corporations Act.

Company means Petratherm Limited ACN 106 806 884.

Corporations Act means the *Corporations Act 2001* (Cth).

Current Options means the 7,780,000 Options on issue in the Company as at the date of this Prospectus.

Directors means the directors of the Company in office at the date of this Prospectus.

Eligible Shareholder means a Shareholder on the register of members of the Company on the Record Date.

Entitlement means the number of New Shares offered to each Eligible Shareholder under this Prospectus.

GST means goods and services tax.

Listing Rules means the official Listing Rules of ASX.

New Share means a Share to be issued under the Offer pursuant to this Prospectus.

Offer means the invitation for investors to for New Shares pursuant to this Prospectus as detailed in section 3.1 of this Prospectus.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Opening Date means the date immediately following the despatch of this Prospectus to Eligible Shareholders.

Option means an option to subscribe for one Share in the Company and includes an Attaching Option.

Optionholder means a holder of Options.

Prospectus means the prospectus constituted by this document.

Record Date means 28 September 2012.

Share means one fully paid ordinary share in the capital of the Company and includes a New Share.

Shareholder means a holder of Shares.

Shortfall Shares means the number of New Shares that are not subscribed for by Shareholders under the Offer.

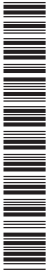


Petratherm Ltd
ACN 106 806 884

For all enquiries:

Phone:
(within Australia) 1300 556 161
(outside Australia) 61 3 9415 4000

Web:
www.investorcentre.com/contact



┌ 000001 000 PTR
MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See over for details of the Offer and how to make your payment

Non-Renounceable Rights Issue — Entitlement and Acceptance Form

 **Your payment must be received by 5:00pm Adelaide time 18 October 2012**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Step 1: Registration Name

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. Enter the number of new shares you wish to apply for and the amount of payment for those shares. For every one new share issued you will also be issued one free attaching option (with the option to be quoted on ASX) with an exercise price of \$0.03 and an expiry date two years after the date of grant.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Prospectus dated 19 September 2012.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the slip with BPAY payment.

By Mail: Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to Petratherm Limited - Rights Issue. The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the slip below as indicated. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Petratherm Limited Non-Renounceable Rights Issue
Payment must be received by 5:00pm Adelaide time 18 October 2012

© Registered to BPAY Pty Limited ABN 69 079 137 518

Entitlement and Acceptance Form with Additional Shares


X 9999999991

I ND

STEP 1

Registration Name & Offer Details

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

 For your security keep your SRN/
HIN confidential.

Entitlement No: 00005856

Offer Details: Existing shares entitled to participate as at
28 September 2012:

4,000

Entitlement to new shares
on a 1 for 3 basis:

1

Amount payable on acceptance
at \$0.03 per share:

\$0.01

STEP 2

Make Your Payment



Billers Code: 207241
Ref No: 1234 5678 9123 4567 89

Pay by Mail:



Make your cheque, money order or bank draft payable to
Petratherm Limited - Rights Issue.

Return your cheque with the below slip to:

Computershare Investor Services Pty Limited
GPO BOX 2987 Adelaide South Australia 5001 Australia

Contact your financial institution to make your
payment from your cheque or savings
account.

Lodgement of Acceptance

If you are applying for shares and your payment is being made by **BPAY**, you do not need to return the slip below. Your payment must be received by no later than 5:00pm Adelaide time 18 October 2012. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor Petratherm Limited accepts any responsibility for loss incurred through incorrectly completed **BPAY** payments. It is the responsibility of the applicant to ensure that funds submitted through **BPAY** are received by this time.

If you are paying by cheque, bank draft or money order the slip below must be received by CIS by no later than 5:00pm Adelaide time 18 October 2012. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the slip below with cheque attached. Neither CIS nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS) as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email privacy@computershare.com.au

Detach here -----

Petratherm Limited Non-Renounceable Rights Issue

Acceptance Payment Details

Entitlement taken up:

Number of additional shares
applied for:

Amount enclosed at \$0.03 per
new share: **A\$**



Entitlement No: 00005856

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Payment must be received by 5:00pm Adelaide time 18 October 2012

Contact Details

Contact Name _____ **Daytime Telephone** _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

123456789123456789+0000000001-5002+15