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Report for the Quarter Ending June 2006

SUMMARY

CORPORATE

- A Managing Director, Mr Terry Kallis, was appointed on 1 May 2006 to guide the business through its next stages of development toward large-scale, base load, zero emission power.
- An independent economic model and pre-feasibility study for the highly prospective Paralana Geothermal site is scheduled for completion in August 2006.
- Geothermal exploration Joint Venture opportunities are being discussed with a number of interested third parties.

OPERATIONS

- The Paralana geothermal test well was successfully extended from 500 metres to 1807 metres in depth. The drilling program went to plan, budget and schedule, achieving all of its objectives.
- Temperature logging is expected to be completed in early August 2006.
- A review of geothermal opportunities elsewhere in Australia and overseas commenced. Current focus in Australia includes Victoria and Queensland.

CORPORATE ACTIVITIES

The Board of Petratherm announced the appointment of Mr Terry Kallis as Managing Director of Petratherm effective from 1st May 2006. Mr Kallis has joined Petratherm following a very successful and highly regarded career in the Australian electricity industry both as a consultant and senior executive. The appointment of Mr Kallis comes at a time when Petratherm is looking to build on its initial excellent exploration results, towards the development of large-scale, base-load, zero emission power.

The pre-feasibility study and economic model of the Paralana Geothermal site is now scheduled for completion in August 2006. Ultra Systems Technology (UST), together with their sub-consultants, international engineering firm GHD and SA electricity transmission network owner, ElectraNet, completing the final stages of the key assumptions and computer modeling required for the economic assessment of the Paralana geothermal site. The economic assessment will analyze both small-scale (5 – 10 MW) and large-scale (250 to 500 MW) options.

Discussions have continued with a number of third parties regarding potential Joint Venture opportunities for Paralana.

OPERATIONS

Paralana Project (GEL's 156, 178, 180)

Paralana Geothermal Well Completed Successfully

Drilling of the Paralana Geothermal Test Well 130 kilometres east of the main electricity grid at Leigh Creek in South Australia has been successfully completed. The drilling program went to plan, budget and schedule, achieving all its objectives.

The well was drilled to a total depth of 1807 metres, in order to determine individual temperature gradients through sequences of highly variable Cambrian aged rock strata and then into a representative section of more homogenous older Adelaidean rock strata below. The well has been secured with steel casing to ensure the long term stability of the hole, and will be maintained for potential future use as a seismic monitoring location in the event that fracture stimulation of the deeper geothermal resource is required as part of the geothermal production scheme.

Preliminary temperature measurements taken after the first casing string was inserted at 1442 metres indicated that the rate of temperature increase is in line with the Company's original target expectations to produce economical electricity generation, that being resource temperatures of 200 degrees Celsius or more at approximately 3.5 kilometres depth.

Whilst temperature data is still to be captured for the lower section of the well, the rock strata in this interval is pre-dominantly fine-grained shale and is expected to have good insulating properties.

Now that drilling operations have ceased, the well will approach thermal equilibrium with the surrounding rock strata. Measurement of the bottom hole temperature, and temperature gradient will be taken and this will enable detailed assessment of the thermal resource at Paralana. The Company plans to report on these findings in early August 2006.

Paralana Geothermal Production Well - Progress Update

The Company has begun well engineering studies to drill its first production well at Paralana. Several large rigs in the region are capable of drilling the planned well of approximately 3.5 kilometres depth and negotiations are underway to secure one of these rigs.

Historical seismic and drill data along with rock stress analysis captured from the first phase of drilling indicate the well should not present any unusual technical challenges. The chances of an over pressured sequence and/or the presence of hydrocarbons is deemed extremely un-likely and assessment of likely formation stability is excellent. For this reason drilling costs should be at a minimum, directly comparable to standard oil well costs of around \$3,000,000 to \$4,000,000 for a well of 3.5 kilometres depth.

Paralana Power Plant Development – Update

As part of the Paralana economic feasibility study (being undertaken by UST) the Company has been investigating the optimum development path. Paralana is favourably located just 11 kilometres from the Beverley Uranium Mine, 40 kilometres from the off-grid Arkaroola Tourist Village and 80 kilometres from 33 KV grid connection at Nepabunna. Studies to see how to best service these local markets are being undertaken.

The Paralana resource is potentially very large. Simple energy calculations based on thermal models indicate the resource could support up to 13,000 MW of power output over a twenty year period if fully utilized. The Olympic Dam expansion is expected to require significant power increases from its current 130 MW to around 500 MW. To supply this demand from Paralana one option being considered is a high voltage line to Olympic Dam from Paralana via the Leigh Creek power node. An alternative option also for consideration is a high voltage line from Paralana directly to Port Augusta (supplying through the national electricity market). Refer Figure above.

Callabonna Project (GEL's 157,179)

A highly encouraging temperature gradient of 68°C per kilometre was returned from the Phase-1 geothermal drill program at Callabonna in September 2005. This result falls within the Company's target expectations to produce economically viable base-load electricity. A Magneto-telluric test survey was conducted in late June 2006. The survey

has mapped the top of the granite heat engine, below the sub-surface insulator and will be utilised as an aid for later potential drill testing.

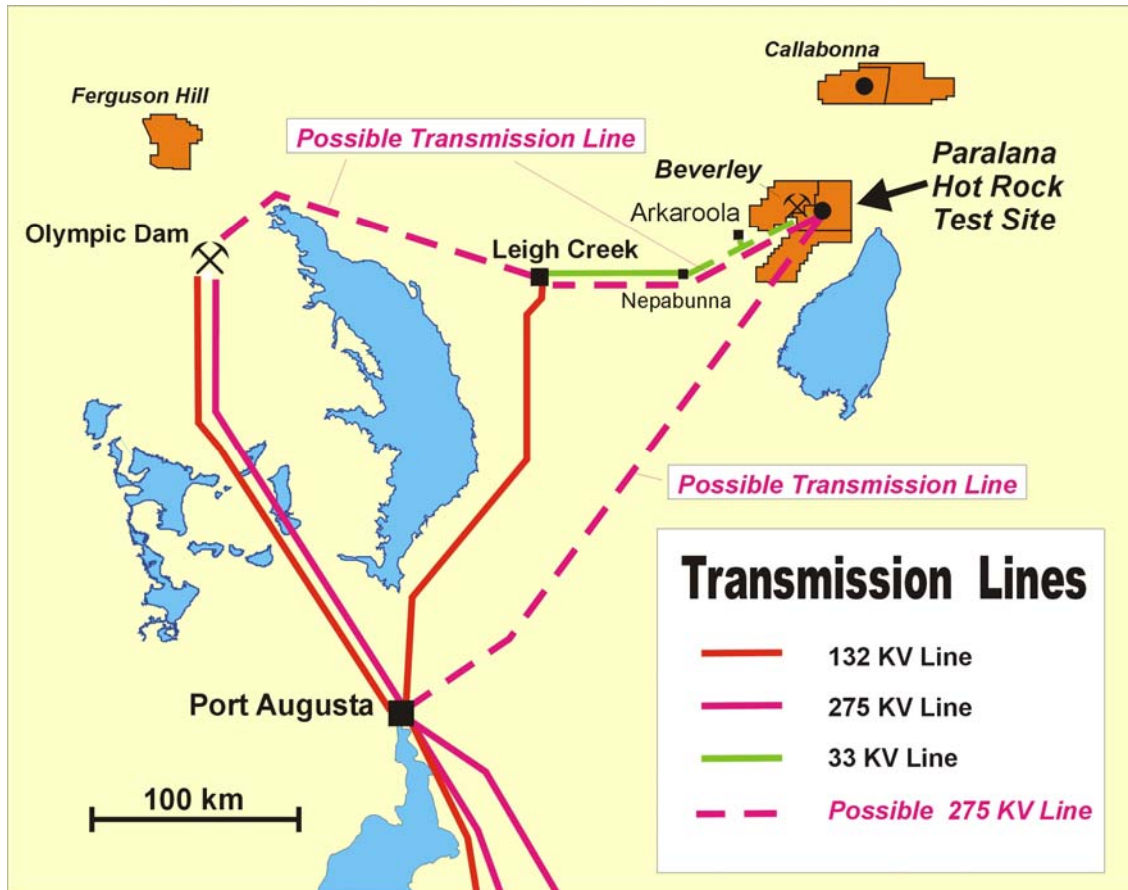


Figure - Possible power development options for Paralana and transmission grid nodes.

Queensland

The second round of tenders for geothermal tenements in Queensland are expected in late 2006. The Company is currently undertaking prospectivity assessments and will consider lodging tenders for geothermal tenements where those prospects are consistent with the Company's Exploration Model.

Victoria

The State of Victoria has been divided up into 10,000km² blocks, with licence tenders opening on the 14th April 2006. Tenders close 11 October 2006 and prospectivity assessments are currently underway.

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APPENDIX 5B
Mining exploration entity quarterly report

PETRATHERM LTD

ABN 17 106 806 884

Quarter ended

30-Jun-06

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(451)	(1,547)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	56	131
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - PACE Funds Received	-	54
1.7 Other - Rebates		
Net Operating Cash Flows	(554)	(1,964)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	-
	-	-
	(5)	(27)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	-	-
	-	-
	-	1
1.10 Loans to other entities	-	(9)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net Investing cash flows	(5)	(35)
1.13 Total operating and investing cash flows (carried forward)	(559)	(1,999)

1.13 Total operating and investing cash flows (brought forward)	(559)	(1,999)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc	-	1,970
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	(9)	(9)
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (Share issue costs)	-	(78)
Net financing cash flows	(9)	1,883
Net increase (decrease) in cash held	(568)	(116)
1.20 Cash at beginning of quarter / year to date	3,122	2,670
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	2,554	2,554
Payments to directors of the entity and associates of the directors		
Payments to related entities of the entity and associates of the related entities		Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2		28
1.24 Aggregate amount of loans to the parties included in item 1.10		-
1.25 Explanation necessary for an understanding of the transactions		
Directors' fees, superannuation for the Quarter		
Non-cash financing and investing activities		
2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows		
Nil		

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter	\$A'000
4.1 Exploration and evaluation	951
4.2 Development	-
Total	951

Reconciliation of cash	Current quarter \$A'000	Previous quarter \$A'000
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		
5.1 Cash on hand and at bank	354	909
5.2 Deposits at call	2,200	2,213
5.3 Bank overdraft	-	-
5.4 Other (provide details) - 30 and 60 day term deposits	-	-
Total: cash at end of quarter (item 1.22)	2,554	3,122

Changes in interests in mining tenements

Tenement reference	Nature of interest (note 2)	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed			
6.2 Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities	43,375,001	25,250,000	Fully Paid	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<u>Excise Price</u>	<u>Expiry Date</u>
	5,000,000		20 cents each	24/03/2009
	2,600,000		20 cents each	4/04/2009
	2,000,000		20 cents each	26/07/2009
	650,000		20 cents each	27/07/2009
	40,000		32 cents each	23/09/2009
	50,000		32 cents each	15/12/2009
	30,000		40 cents each	31/12/2010
	40,000		40 cents each	5/02/2011
	200,000		32 cents each	21/05/2011
	200,000		37 cents each	21/05/2011
	50,000		32 cents each	29/05/2011
	750,000		32 cents each	30/04/2012
	750,000		37 cents each	30/04/2013
7.8 Issued during quarter				
	200,000		32 cents each	21/05/2011
	200,000		37 cents each	21/05/2011
	50,000		32 cents each	29/05/2011
	750,000		32 cents each	30/04/2012
	750,000		37 cents each	30/04/2013

7.9 Exercised during quarter				
7.10 Cancelled during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

Compliance statement

- 1.0 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2.0 This statement does give a true and fair view of the matters disclosed.



Sign here:..... Date: 28/07/2006
Company Secretary

DONALD STEPHENS

Print name:

Notes

- 1.0 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2.0 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3.0 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4.0 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5.0 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.