

PETRATHERM LTD

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REPORT FOR THE QUARTER ENDING 31 MARCH 2005

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SUMMARY

CORPORATE

- The Company held \$2,906,000 cash reserves at 31 March 2005.

EXPLORATION

- Due to unstable hole conditions which proved beyond the capacity of the rig to overcome Paralana 1 halted at 306m. Shallow temperature logging of the upper cased portion of the hole above 127m, recorded a bottom hole temperature of 34⁰C, which is consistent with the modelled high geothermal gradient and the recorded higher regional temperatures. A larger capacity rig with the capacity to overcome the drilling problems has been contracted to complete the hole to the original target depth of 500-600m.
- Callabonna Hot Rock Target (GEL 157), 70km north of Paralana has been moved forward in the drilling schedule and will now be drilled immediately prior the completion of Paralana 1.

REVIEW OF OPERATIONS

CORPORATE

Petratherm welcomes the Australian State and Territory Governments initiative to bring about an emissions carbon trading scheme announced on 31/3/05. (reference: *Emmissions Trading Scheme Communique, State and Territory Premiers and Chief Ministers*). The impact on renewable energy producers and investment in new renewable projects will be monitored in order to establish the potential applicability of the scheme to Petratherm's projects. Petratherm representatives have been active, holding talks with government and industry representatives relating to funding further down the project work lines.

As at the 31st March 2005 the Company held \$2,906,000 in cash.

EXPLORATION

Paralana (GEL's 156, 178, 180)

Petratherm's first hot rock exploration drill hole was spudded on the 11th January 2005. This exploration well was designed to evaluate the hot rock potential of the Paralana Plains Area east of the Mount Painter Ranges where exceptionally high heat producing granites are known to occur.

Due to unstable hole conditions the well had to be halted at 306m. The drilling rig was unable to clear the hole of excess cavings from the wellbore wall. The excess cavings may be associated with overpressuring of clay units between 90m and 270m, possibly in combination with high tectonic stresses leading to excessive borehole breakout.

To remedy the problem a much larger rig capable of drilling to 2000m, and able to manage the hole stability problems (excess cavings) by drilling with a weighted mud system, and by having a greater capacity to clear the cavings from the hole, has been sourced to complete the hole to the original target depth of 500-600m. The new rig is due to move on site in mid May.

Shallow temperature logging of the cased upper portion of Paralana 1, above 127 metres, was undertaken. Geothermal gradients determined from measurements taken at such shallow depths are inconclusive, however the recorded bottom hole temperature of 34^oC is consistent with both Petratherm's modelled geothermal gradient and with higher regional temperatures.

In accord with the original drilling plan, the new well will be drilled through the artesian aquifer which is estimated to be located at 500 metres, and into underlying rock sequence in order to secure unequivocal temperature data. A total depth of around 600 metres is projected for the first phase of drilling. On completion the hole will be cased with steel piping and back cemented to isolate the artesian flow. Once the hole has been secured,

down-hole temperature gradient and rock physical property measurements will be undertaken to assess the geothermal potential.

Projections of the temperature gradient will be made to the target depth of around 3.5 kilometres. If encouraging, the hole will be deepened at a later date, using a larger capacity drilling rig, to about 1500 metres to gain further temperature, rock physical property and stress measurements to confirm the subsurface model established in the first phase of drilling. A break between the shallow and deeper phases of drilling is required in order to undertake the detailed thermal modelling and prediction work required to confirm that deeper testing and sampling is justified.

Petratherm's modelled target depth for a significant economic, geothermal resource is 3.5 kilometres. The initial two step evaluation drilling program will identify and quantify any potential resource, prior to the commitment of higher cost, deep drilling into the thermal resource, to determine if there is a significant geothermal resource at depth.

Callabonna (GEL 157, GEL 179)

With the availability of a larger capacity rig, drilling of the Callabonna Hot Rock Target (GEL 157) 70km north of Paralana has been moved forward in the drilling schedule. Callabonna will now be drilled immediately before completion of Paralana 1, using the newly sourced heavy duty drilling rig, allowing rig mobilisation to be spread over a two well program.

Petratherm is seeking to develop commercially viable geothermal energy reserves. The fundamental economic drivers behind the cost of developing geothermal energy are distance to market, depth of resource and resource temperature. Forward thermal modelling studies undertaken at the University of Adelaide indicate temperatures (up to 250°C) may be achieved at only approximately 3.5km depth.

This is supported by geophysical modelling of recently acquired gravity data, in conjunction with historical seismic which data indicates the Callabonna Gravity Low may represent an important sub-basin containing a thick Permian Cooper Basin sequence, an ideal insulator to the potential high heat producing granites below (Figure 2).

The Callabonna well is planned to go to 1000 metres in order to drill through the artesian aquifer modelled from seismic data to occur at 620 metres and into the interpreted Permian sequence below. This will allow for a more complete temperature gradient profile to be gathered as part of the evaluation process.

Ferguson Hill (GEL 158)

No work was undertaken during the quarter.

Generative Program

Ongoing generative research is underway to identify potential new geothermal areas within Australia. Enacting of geothermal licensing legislation in Queensland has been delayed several months, and it is now expected to be June 2005 before applications can be made. The company is considering the merits of several areas, with a view to the possible application for licences.

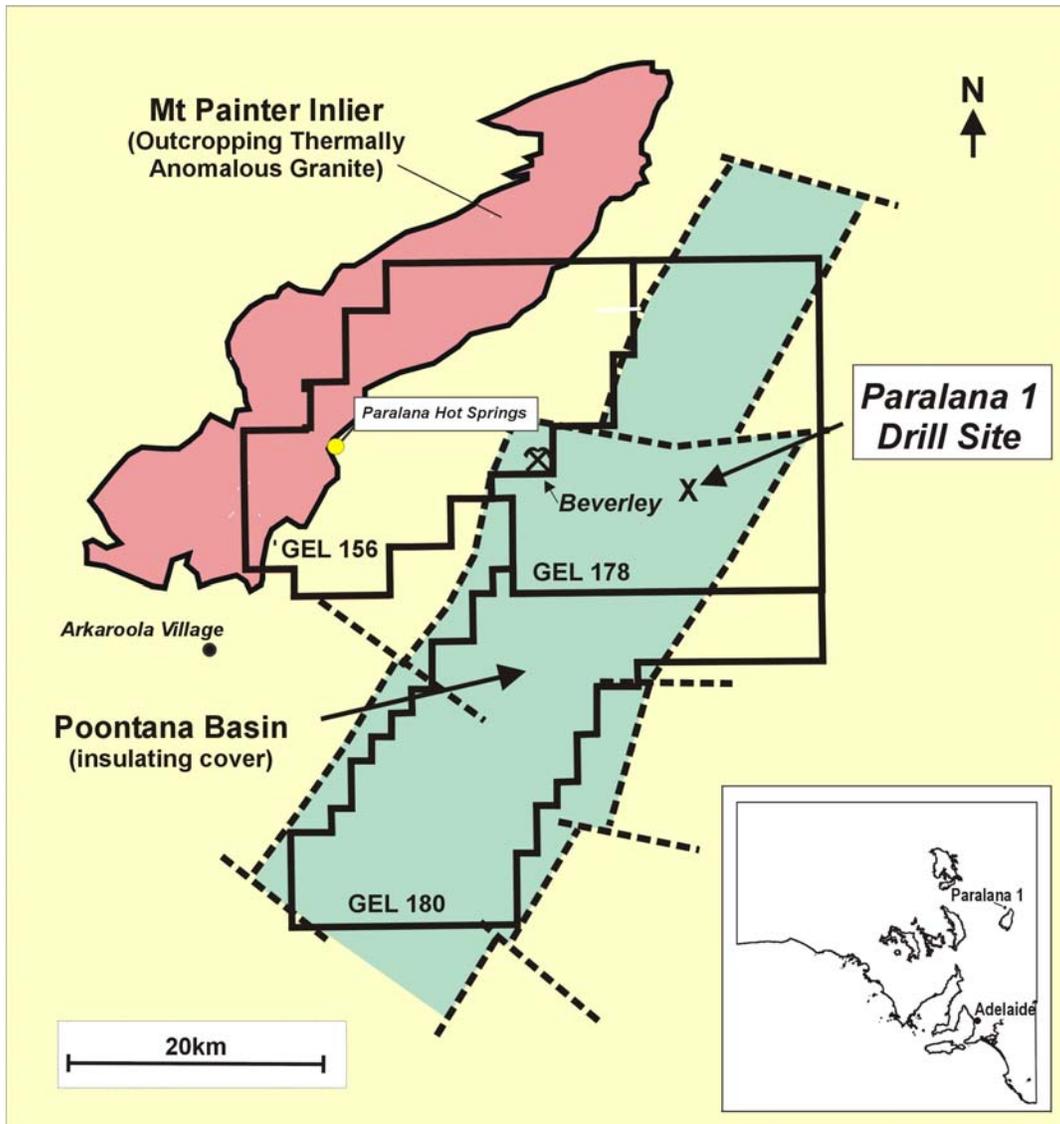


Figure 1 - Paralana 1 Locality Map.

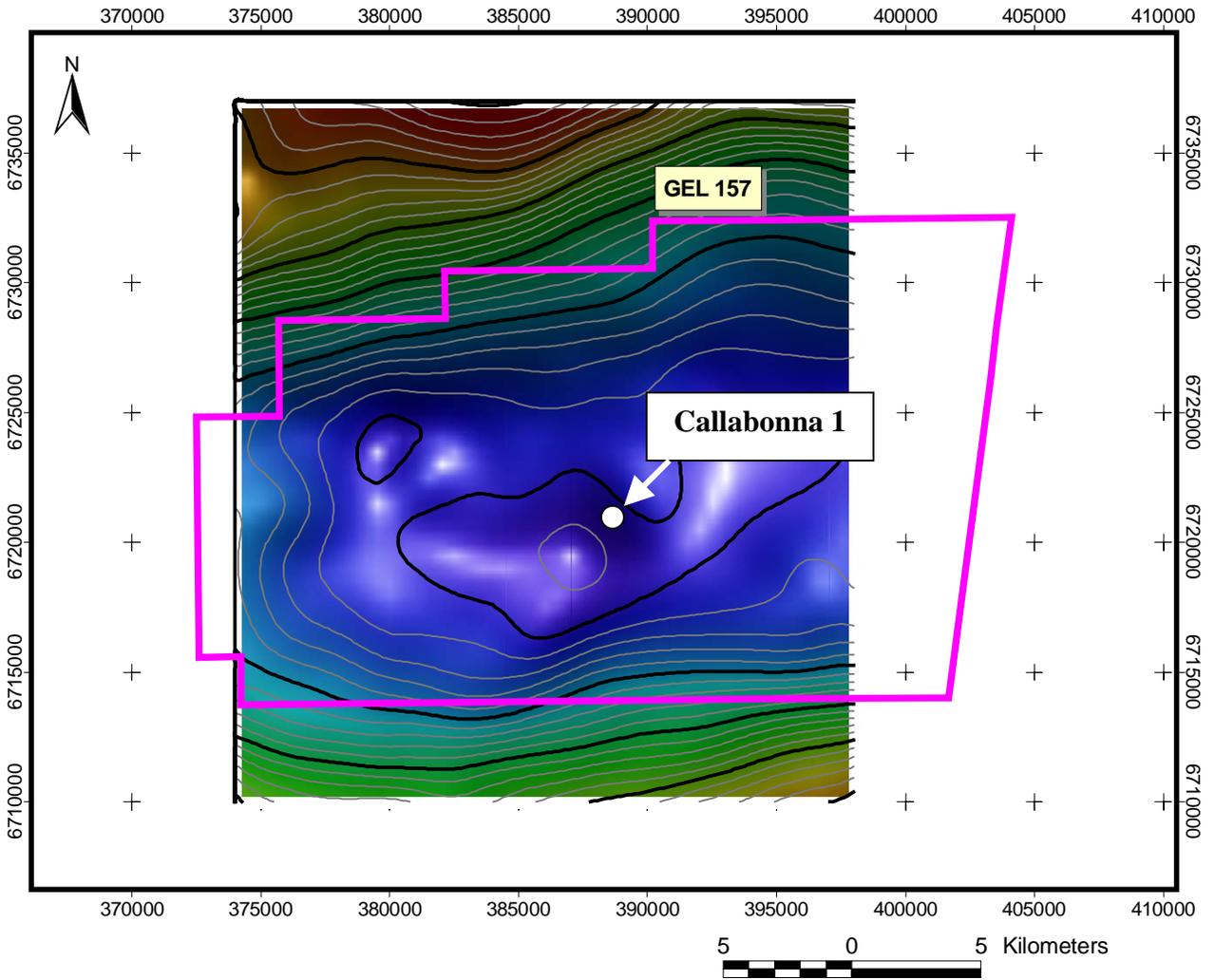


Figure 2 Bouguer gravity image of Callabonna Gravity Low (blue) and location of Callabonna 1 drill hole.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

PETRATHERM LTD

ABN

17 106 806 884

Quarter ended ("current quarter")

31 March 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(182)	(317)
(b) development		
(c) production		
(d) administration	(122)	(298)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	29	106
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(275)	(509)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets		(9)
1.10 Loans from other entities (net)		(102)
1.11 Loans repaid by other entities	3	
1.12 Other (provide details if material)		
Net investing cash flows	3	(111)
1.13 Total operating and investing cash flows (carried forward)	(272)	(620)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(272)	(620)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		4,000
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (Share issue expenses)		(474)
	Net financing cash flows	0	3,256
Net increase (decrease) in cash held			
		(272)	2,906
1.20	Cash at beginning of quarter/year to date	3,178	0
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,906	2,906

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	35
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Represents payments of directors' fees and superannuation.

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	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	287
4.2 Development	
Total	287

Reconciliation of cash

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.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	806	3,178
5.2 Deposits at call	2,100	
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,906	3,178

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			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	35,000,001	20,000,001		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities				
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>	7,500,000 2,600,000 2,000,000 650,000 40,000 50,000		Exercise price 20 cents 20 cents 20 cents 20 cents 32 cents 32 cents	Expiry date 24/03/09 04/04/09 26/07/09 27/07/09 23/09/09 15/12/09
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

- 1 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 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date:
DONALD STEPHENS
(Director/Company secretary)

Print name:

Notes

- 1 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 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 **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 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **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.

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