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Paralana Geothermal Drilling Starts

Petratherm is pleased to announce that drilling began late Saturday 20th May, to deepen its promising geothermal well at Paralana (Fig 1). The Stage-3 Geothermal Test well will extend the existing well from 491 metres to a minimum depth of 1.5 kilometres to measure temperature gradients at depth and to determine reservoir properties. Results will assist in determining the economic viability of the project, which if positive will initiate the development of a full demonstration power plant at Paralana.

In September 2005 temperature readings from the initial 491m Stage-2 evaluation drilling recorded an extrapolated geothermal gradient in the order of 81.5°C per kilometre, which is believed to be amongst the highest reported shallow temperature gradients in Australia (Figure 2). This gradient is well above the Company's initial target expectation of a hot rock resource in excess of 200°C at a depth of 3.5 kilometres.

The Paralana resource is potentially very large. Simple energy calculations based on thermal models indicate the resource could support up to 13,000 MWe of power output over a twenty year period if fully utilized. The site is also well located 130 kilometres from the main grid infrastructure, and only 11 kilometres to the existing Beverley Uranium Mine.

It is envisaged the well may take up to 30 days to drill. Due to the circulation of cool waters during the drilling process, it will take approximately another 3 weeks before the well reaches thermal equilibrium with the surrounding rock, whereupon final temperature readings will be taken.



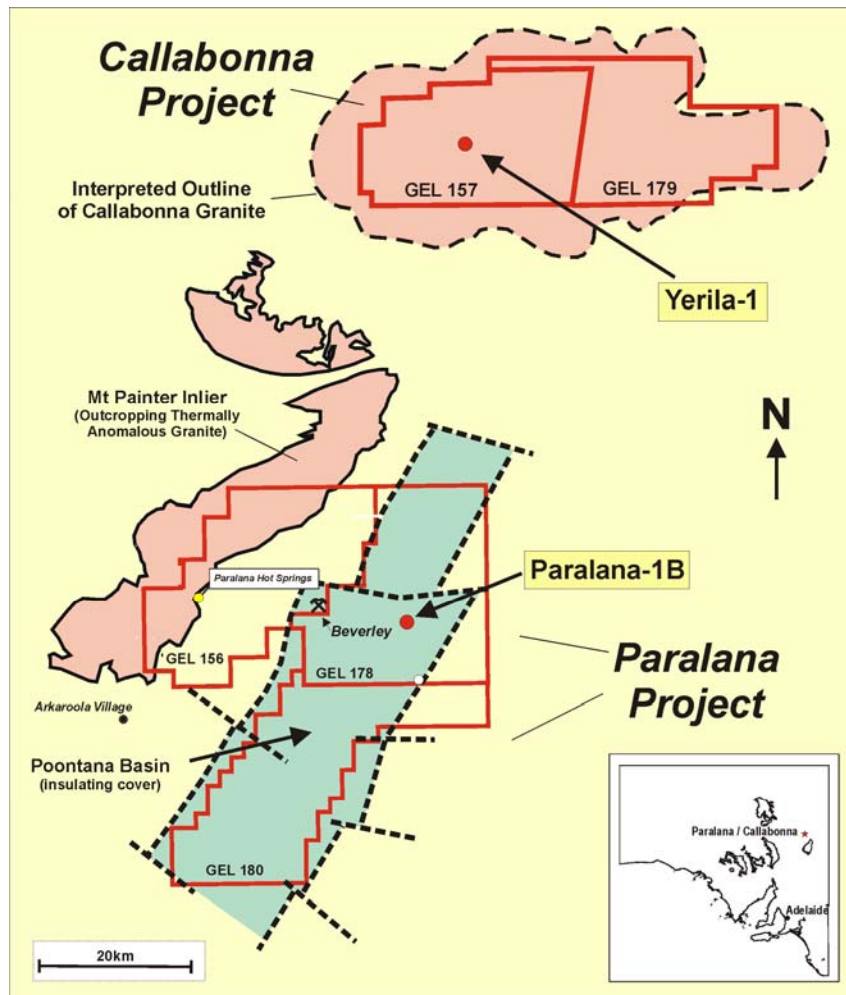


Figure 1 Paralana and Callabonna Project Areas

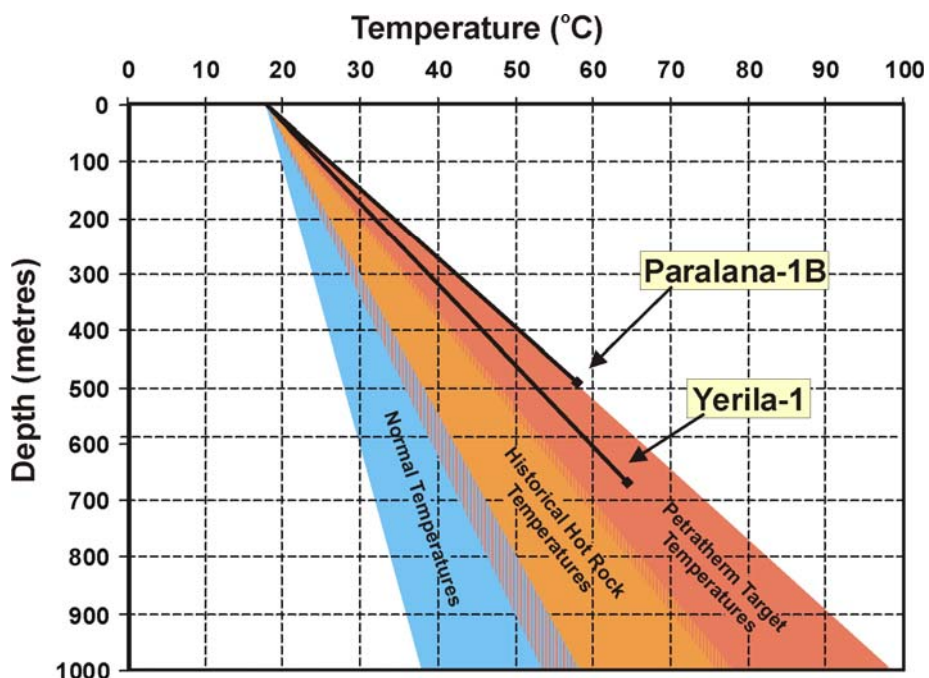


Figure 2 Hot Rock Temperature Gradient Prospectivity Curve

