

# Petratherm Ltd

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## **Paralana Phase-2 Drilling Update**

Preparations to extend the Paralana geothermal well (Paralana-1B) to a minimum depth of 1500 metres have been finalised with the contracted drill rig now scheduled to begin drilling in April.

Drilling data will establish thermal gradients and rock properties at intermediate depths, in order to confirm the deeper subsurface model of temperatures in excess of 200°C at target depths of 3.5 kilometres; a benchmark identified by the Company for economically viable electricity generation under current market conditions.

If the results are positive, the next stage of the Paralana Project will involve the drilling of 2 deep wells to establish the modelled thermal resource and provide input to a feasibility study for the production of large scale base load electricity generation. It is anticipated that a decision to proceed to this stage will be taken in the second half of 2006.

It is probable that heated waters in excess of 100°C may be intersected in next phase of drilling, so great care has been undertaken in the well design and safety aspects of the drill program. On completion, the well will be cased and suspended as a potential seismic observation well during fracture stimulation of the deep heat reservoir, should such be required.

Phase-1 of the Paralana drill program recorded a geothermal gradient in the order of 81.5°C per kilometre, which is believed to be amongst the highest reported shallow temperature gradients recorded in Australia. The site is also well located 130 kilometres from the main grid infrastructure, and only 11 kilometres to the existing Beverley Uranium Mine.

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 also falls within the Company's target expectations to produce economically viable base-load electricity. A Magneto-telluric test survey is will be undertaken across the potential resource mid-year. The survey will accurately map the top of the granite heat engine below the subsurface insulator as an aid for later potential drill testing.

## **\$1.97 Million Capital Placement Finalised**

To fund planned activity the Company has successfully placed 5.25 million ordinary shares at 28 cents per share, raising \$1,470,000 through Taylor Collison Ltd and Lands Kirwan Tong Stockbrokers Pty Ltd. In addition Minotaur Exploration Ltd has exercised \$500,000 of its options in Petratherm. The Company is now in a strong cash position with \$3,200,000 in the bank as of 28<sup>th</sup> February 2006.

