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2 March 2005

Paralana 1 and Callabonna Update

Shallow temperature logging of the upper cased portion of Paralana 1 has confirmed a high temperature gradient consistent with target models. However, the drilling operation encountered unstable hole conditions and the hole was halted at 306m. The unstable conditions are most probably associated with overpressuring of clay units between 90m and 270m. This shallow overpressure situation has not been experienced in other shallow drilling in the area. As a result, the associated drilling problems proved to be beyond the capability of the small capacity rig contracted for the well.

Due to difficult hole conditions, the temperature logging program was limited to the section above 127m. Geothermal gradients determined from measurements taken at such shallow depths are inconclusive, however the recorded bottom hole temperature of 34^0C is consistent with Petratherm's modelled target geothermal gradient and higher measured regional temperatures.

In view of the problems encountered with Paralana 1 a much larger capacity drilling rig, capable of drilling to 2000m, and able to manage the over pressuring by drilling with a weighted mud system, has been sourced to complete the hole to the original target depth of 500-600m. The rig is scheduled to be on site in approximately eight weeks time.

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 following completion of Paralana 1, using the newly sourced heavy duty drilling rig. The Callabonna target was always assessed as requiring a large capacity rig for geothermal gradient testing and the drilling of Paralana and Callabonna back to back will reduce costs, by allowing rig mobilisation to be spread over a two well program.