

Petratherm Ltd

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19th October 2005

Paralana Confirms Exceptionally High Temperature Gradient

Petratherm Limited – a developer of ‘hot rock’ geothermal energy – advises that temperature logging of Paralana-1B taken 2 weeks after drilling, records a bottom hole temperature of 58 °C at 485 metres, equating to a gradient of 81.5 °C per kilometre.

This result is at the upper level of Company expectations to meet the key Company objective of a hot rock resource in excess of 220 °C at a depth of 3.5 kilometres (Figure 1). As Paralana-1B is yet to reach complete thermal equilibrium with the surrounding rock, there may be a further increase in temperature of 1-2 °C, increasing the gradient to approximately 85 °C per kilometre. Such gradients may be the highest recorded in geothermal exploration in Australia.

Preparations to extend the hole are well advanced and scheduled to begin around the end of this year. Deepening the well to 1500 metres will enable a study of the thermal and rock properties at intermediate depths, prior to a decision to drill to about 3.5 kilometres using an oil exploration drilling rig.

The Company is highly encouraged by the exceptionally high temperature gradient encountered at Paralana, and earlier at Callabonna, leading to expectations of proving hot rock reserves at relatively shallow depths, close to infrastructure.

The Paralana result, together with the occurrence of the hot springs some 25 kilometres to the west, supports the presence of an active Enhanced Natural Thermal System (ENTS outlined in the Petratherm prospectus). These results point toward an extensive heat source at depth in the greater Paralana area, beneath Petratherm’s three licence areas. The Company believes there is potential to encounter a natural hot water system in fractures at depth in Paralana, with significantly more elevated temperatures than straight projection of the geothermal gradient would indicate. Such an occurrence could result in commercially viable temperatures at shallower depths than previously proposed. This potential will be assessed during the next stage of exploration.

The Company’s success with its first two geothermal wells gives it confidence that the approach adopted to find and test commercially viable geothermal hot rock targets is well founded.

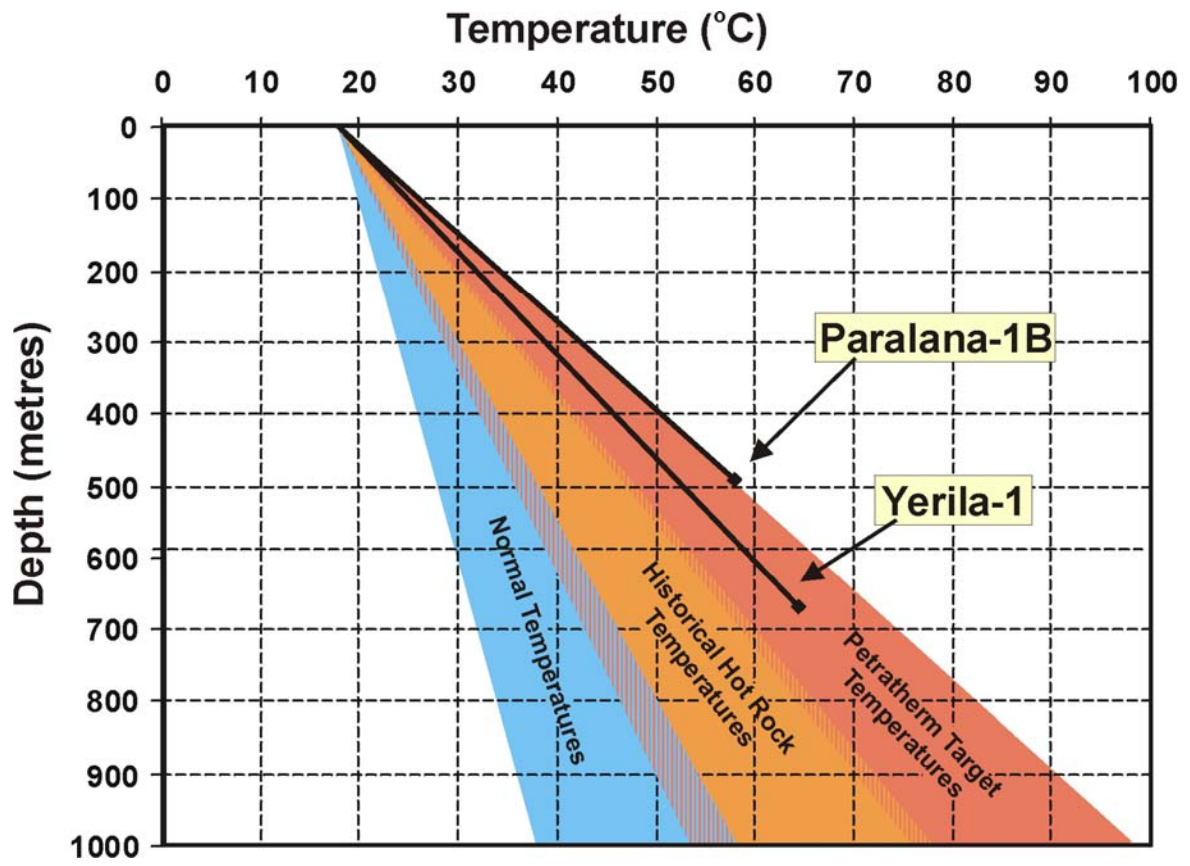


Figure 1

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Wednesday 19 October 2005

PARALANA HOT ROCKS WELL TO BE DEEPENED AFTER EXCEEDING TEMPERATURE EXPECTATIONS

Petratherm Limited is to at least triple the depth of a hot rocks well in South Australia after results from temperature testing exceeded company expectations.

The hot rock geothermal energy developer announced today that the first temperature logging of the current 491-metre deep Paralana-1B well, recorded a bottom hole temperature of 58°C at 485 metres, equating to a temperature gradient of 81.5°C per kilometre, one of the hottest temperature gradients recorded in geothermal exploration in Australia (Figure 1).

“This result is at the upper level of our expectations of defining a hot rock resource in excess of 220°C at a depth of 3.5 kilometres,” Petratherm’s Chief Executive Officer, Mr Peter Reid, said today.

The temperature logging of Paralana-1B, 130 kilometres east of Leigh Creek, was undertaken two weeks after the first stage drilling was completed last month, to allow the hole to establish a state of thermal equilibrium with the surrounding rock.

“In time there may be a further, 1-2 °C increase in bottom hole temperature. If so, that would increase the readings to around 85°C per kilometre. As a result, we have elected to drill Paralana-1B to the next stage, an intermediate depth of over 1,500 metres, with this work scheduled to commence around the end of this year”, Mr Reid said.

“The outcome of the thermal and rock properties at this intermediate depth will determine whether we drill a third and final stage production well at Paralana to a depth of about 3.5 kilometres, using an oil exploration drilling rig.”

“The exceptionally high temperature gradient encountered at Paralana, and earlier at the nearby Yerila-1 well in the Callabonna anomaly, is highly encouraging, leading to expectations of proving hot rock reserves at relatively shallow depths, close to infrastructure,” Mr Reid said.

“The success to date also gives us confidence that the approach adopted to find and test geothermal hot rock targets, is well founded.”

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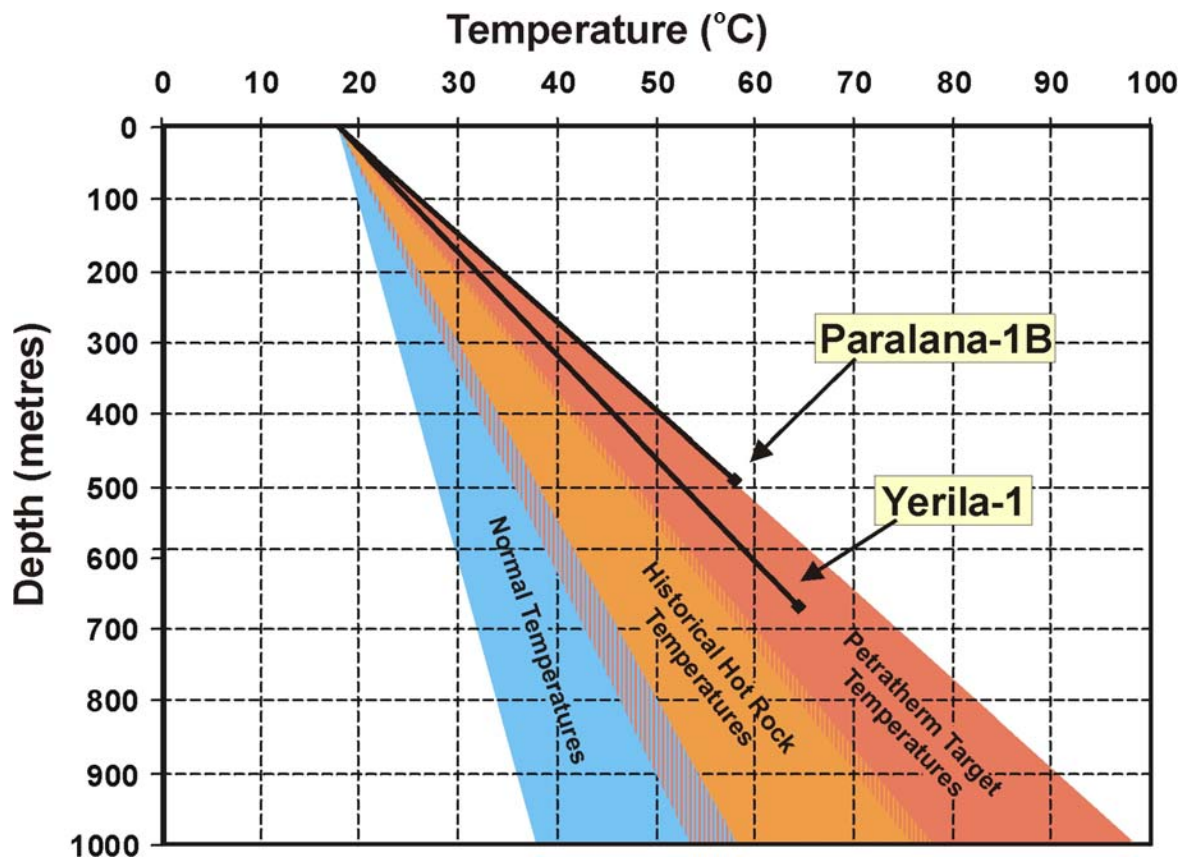


Figure 1