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New Licences and Field Activity

Geothermal Licence Awards

Petratherm Ltd has been awarded two new geothermal licences GEL 178 and GEL 180. These areas adjoin Petratherm's Paralana (GEL 156) tenement (Figure 1). The newly awarded licence areas cover a region identified by historical seismic data of significantly increased sedimentary cover, up to 3km thick, informally termed the Poontana Basin. It is postulated the same high heat producing granites at Mt Painter 20km to the west of licence areas may underlie this basin. The combination of a potential heat source and insulator to retain the heat make this area an attractive target for hot rock exploration.

These two new licences are in addition to a licence still pending award (GELA 179) adjacent to the Callabonna licence. The additional licences to those secured at the time of the prospectus, afford significant protection to our planned investment in GEL's 156 and 157 and the opportunity to expand the hot rock exploration play in the region in the event of success in our initial efforts.

Field Operations

Detail gravity surveys aimed at delineating the preferred site for shallow test wells are underway at the Paralana (GEL 156) and Callabonna (GEL157) tenements. Interpretation of this data will be used to model the extent and nature of potential hot rock resources at each of the project areas. A magneto-telluric test trial will also be shortly underway at each of these project areas.

The magneto-telluric studies are being used as a tool to image the hottest zones within each target area. Final drill site selection for the geothermal test wells at Paralana and Callabonna will be based on the findings of these studies. As a result of the work now in progress, one of these areas will be drill tested in October 2004 subject to heritage and government compliance clearances.

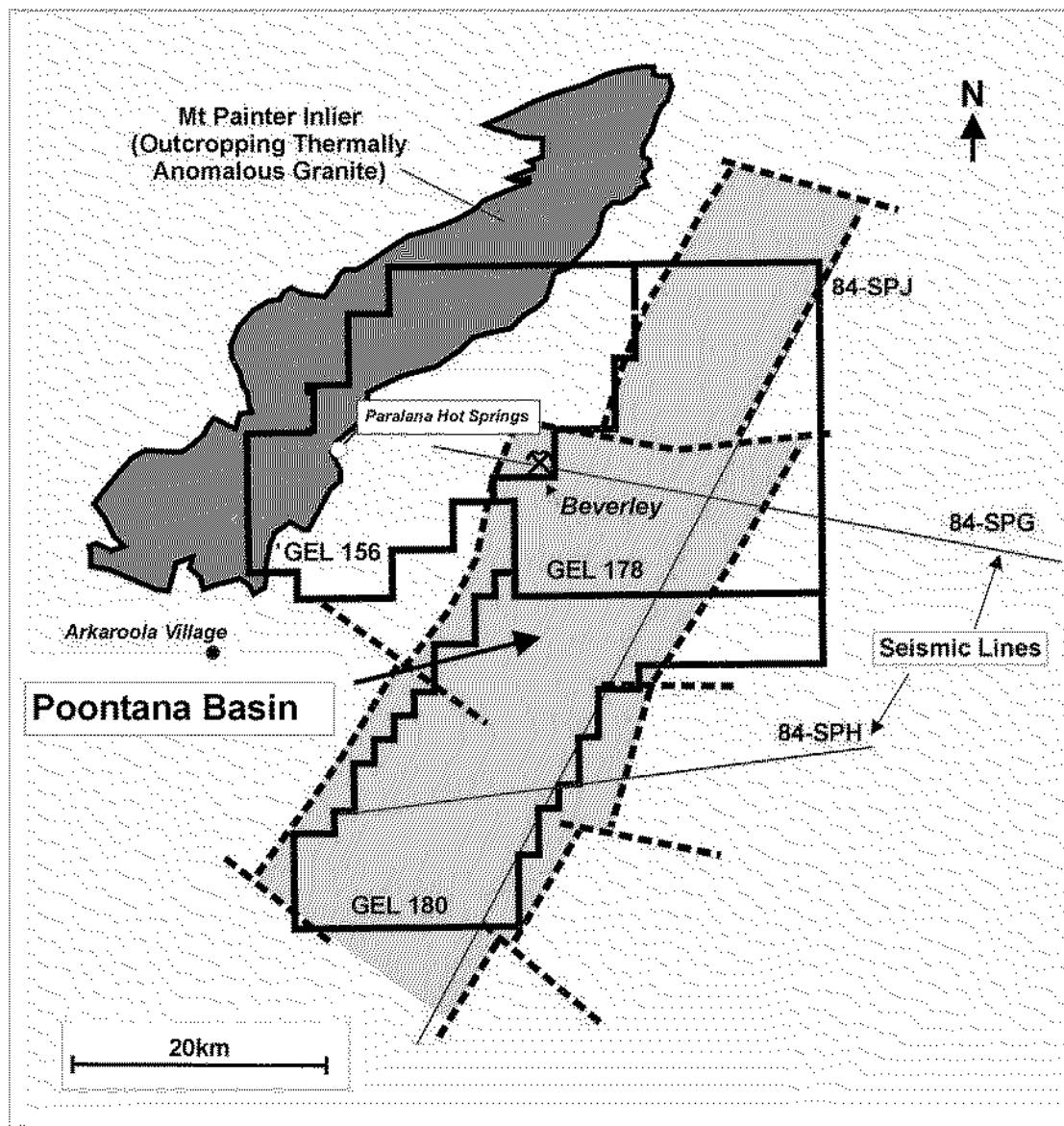


Figure 1 New Geothermal Licence Areas (GEL's 178 and 180) and extent of favourable Poontana Basin.