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Prospectus

Prospectus for the offer of 30,000,000
ordinary shares at an offer price of \$ 0.20 each
to raise \$6,000,000.

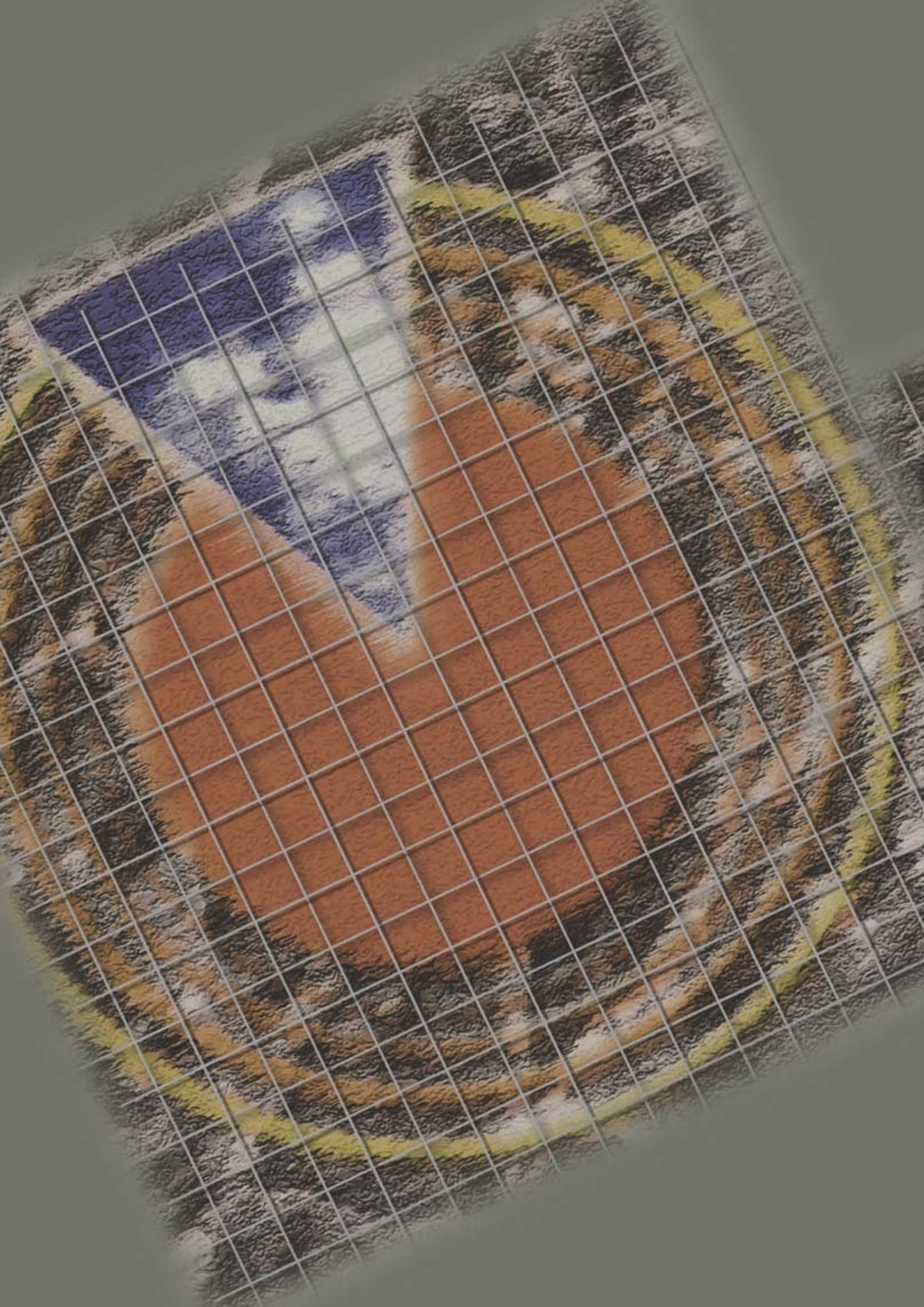
Sponsoring Broker

Taylor Collison Limited
(ABN 53 008 172 450)

Important Information

This is an important document that should be read
in its entirety. If you do not understand it,
you should consult your professional advisors.

THE SHARES OFFERED BY THIS PROSPECTUS
ARE OF A SPECULATIVE NATURE.





Petratherm Ltd

ACN 106 806 884

Corporate Directory

Directors

Derek Northleigh Carter (Chairman)
Lloyd Walter Hart Taylor
Richard Ralph Hillis
Richard Martin Bonython
Simon Thomas O'Loughlin

Company Secretary

Donald Clinton Stephens

Registered Office

C/o HLB Mann Judd Stephens
Chartered Accountants
82 Fullarton Road
NORWOOD South Australia 5067

Principal Office

247 Greenhill Road
DULWICH South Australia 5065

Share Registrar

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
ADELAIDE South Australia 5000

Auditors and Investigating Accountant

Grant Thornton
67 Greenhill Road
WAYVILLE South Australia 5034

Solicitors to the Company

O'Loughlins Lawyers
Level 2, 99 Frome Street
ADELAIDE South Australia 5000

Independent Geologist

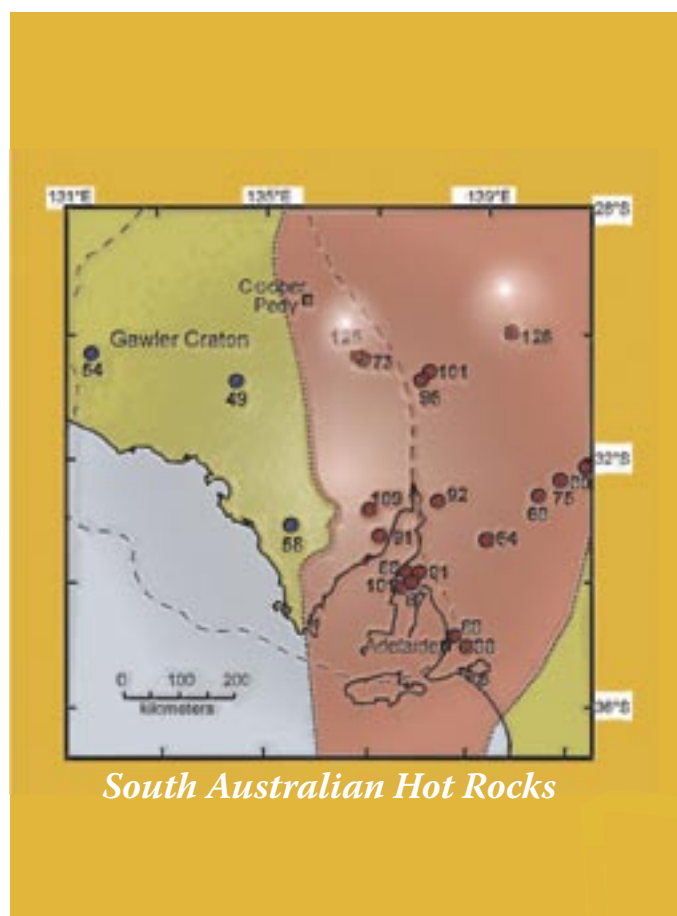
Ian Youles
Consulting Geologist
Burgar Road
MIDDLETON South Australia 5213

Sponsoring Broker

Taylor Collison Limited
Level 2, 12 Pirie Street
ADELAIDE South Australia 5000



Level 2, 55 Hunter Street
SYDNEY New South Wales 2000



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Application Forms and Guides to Applicants are in the back of this Prospectus

Petratherm will –

- explore for sources of geothermal energy in the South Australian Heat Flow Anomaly;
- choose targets at economically manageable depth, favourably located to potential markets;
- test hot rocks, specifically granitic and hydrothermal iron oxide systems, with high temperatures; and
- aim to establish an economically viable, emission-free, renewable source for power generation.

Petratherm has –

- acknowledged the need for renewable energy;
- applied advanced minerals exploration data to the energy business;
- sought hot rocks at manageable depth;
- acquired Tenements near markets where substantial power is and/or will be required;
- undertaken research through the University of Adelaide's commercial development arm, Adelaide Research & Innovation Pty Ltd;
- commenced the application process to obtain funding under the Commonwealth Government's R&D Start Grant scheme;
- developed an exploration method to minimise exploration risk; and
- undertaken financial modelling to establish the economic viability of its corporate objectives.

The Commonwealth Government has –

- committed to maintain the target for greenhouse gas ("GHG") emissions from fossil fuel at no more than 108% of 1990 levels during the period 2008-2012;
- decided to encourage additional energy generation from ecologically sustainable renewable sources;
- recently instigated a review of the Mandatory Renewable Energy Target ("MRET"), which required an extra 9,500 GWh by 2010, the review recommending the target be increased to 20,000 GWh by 2020;
- previously created a system of renewable energy certificates ("RECs") to encourage the meeting of targets, which would, if the new recommendations are implemented, for projects commencing after 2005, have a 15 year life; and
- in the current review indicated renewable energy industry sales are about \$1.8 billion, with a target of \$4 billion by 2010 (MRET review).

Petratherm sees these potential advantages to hot rock geothermal energy –

- zero GHG emissions;
- minimal environmental impact;
- provides base-load capacity;
- competitive economically; and
- can be an extremely long term source.

The above information is explained more fully in this Prospectus

11 May 2004



Dear Investor,

I am pleased to present to you, on behalf of the Board of Directors, an offer to become a shareholder in Petratherm Ltd ("the Company"). The concepts behind the Company are exciting and I urge you to read this Prospectus in detail.

Approximately ninety percent of Australia's electricity is generated from fossil fuels, the use of which contributes to one third of Australia's total carbon dioxide emissions. In order to reduce the rate of increase in these levels the Commonwealth Government has put in place legislation designed to reward those who provide electricity from renewable sources such as wind, solar radiation and geothermal heat.

Geothermal energy is free from greenhouse gas emissions and capable of providing constant power to supply base-load electricity. The Company will explore for hot rock geothermal energy, one of the few renewable energy sources, with the ultimate objective of providing energy for producing electricity.

The initial aim is to find hot rocks at temperatures in excess of 220°C, and at a depth less than 3.5 kilometres, in areas reasonably close to established infrastructure which may lead to reducing costs and technical risks.

It is intended to concentrate our exploration program initially in what is known as the South Australian Heat Flow Anomaly, an area containing rocks yielding temperatures significantly higher than similar rocks elsewhere. The Company has identified key target areas within the Anomaly and secured tenements over them.

Low cost techniques to enable a determination of the potential of the deep rocks without the need to drill into them, have been developed. Once the temperature and rock fracturing characteristics have been determined, the next step, which will require additional funds either by way of R & D Start Grant funds or equity/joint venture/ project finance, is to test the efficiency of a limited underground heat exchanger, passing water under pressure through the hot rocks to heat the water and recovering it at the surface. As the project should favourably compete both economically and environmentally with existing

energy producers, the ultimate aim is to develop a commercial power generator in conjunction with suitable partners.

The purpose of this Prospectus is to raise funds to satisfy the initial aim. The Company will apply for a Commonwealth Government R&D Start Grant of up to \$4 million. The Prospectus seeks to raise a minimum of \$4 million and a maximum of \$6 million, up to \$4 million of which is to match the grant for which the Company will apply and hopes to receive progressively over the period of the R&D program.

I wish to acknowledge the input by the University of Adelaide through their company, Adelaide Research & Innovation Pty Ltd in providing research and assistance in the submission of our application for the R&D Start Grant and their continuing support in our future activities. In consideration for this input and ongoing relationship they may become shareholders in the Company.

For the first phase of the Company's activities, I am pleased to advise that a very experienced manager, Mr Peter Reid, has agreed to lead the exploration program. Peter, who holds an Honours degree in Geology, has been a senior geologist with Minotaur Resources Ltd involved with the development of the Prominent Hill iron oxide copper-gold deposit and exploration activities near Broken Hill. This experience plus his extensive knowledge of South Australian geology will be important to the success of the Company.

I welcome the appointment of all of my fellow directors who will be invaluable to the Company, and particularly I wish to acknowledge Professor Richard Hillis of the University of Adelaide who has led the team that provides, and will continue to provide, vital research. I am also pleased that Dr Lloyd Taylor has joined the Board as he has extensive geological, geophysical and general management experience in energy exploration and production .

Accordingly, I invite you to apply for shares in the Company on the application form that is part of this Prospectus.

Yours sincerely

Derek Carter
Chairman.

2 important information

This Prospectus for Petratherm Ltd is dated the 11 May 2004. It was lodged for registration on 11 May 2004 with ASIC.

Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus.

This Prospectus will be issued in paper form and as an electronic Prospectus which may be accessed on the Internet at www.petratherm.com.au. The offer of Shares pursuant to the electronic Prospectus is only available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of the Prospectus. During the Offer Period, any person may obtain a hardcopy of this Prospectus by contacting the Company by email at admin@petratherm.com.au.

Distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Prospectus does not constitute an offer in any place in which, or to persons to whom, it would not be lawful to make an offer.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application will be made within 7 days after the date of this Prospectus for permission for the Shares offered by this Prospectus to be listed for Quotation on the ASX.

No person is authorised to give any information or to make any representation regarding the Offer. Any information or representation in relation to the Offer which is not contained in this Prospectus may not be relied upon as having been authorised by Petratherm Ltd or its directors.

In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to 7 days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the exposure period will be dealt with in accordance with Section 724 of the Corporations Act. Applications received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on Applications received in the exposure period and all Applications received in the exposure period will be treated as if they were simultaneously received on the Opening Date.

The Shares offered by this Prospectus are of a speculative nature. Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to apply for Shares. The Shares offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares.

Throughout this Prospectus abbreviations and defined terms are used. Those relevant to exploration are contained in the Glossary of Technical Terms in Section 9 of this Prospectus, and other abbreviations and legal terms are contained in the Definitions in Section 14 of this Prospectus (defined terms are generally identified by the uppercase first letter).



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3. Offer Details

3.1 Description of the Offer

This Prospectus invites investors to apply for a total of 30,000,000 Shares at an issue price of \$0.20 per Share to raise \$6,000,000. The minimum subscription for the Offer is 20,000,000 Shares at an issue price of \$0.20 per Share to raise \$4,000,000. All Shares issued pursuant to this Prospectus will be issued as fully paid ordinary shares and will rank equally in all respects with the Shares already on issue. The rights attaching to the Shares are summarised in Section 14.10.

If the minimum subscription of \$4,000,000 is not achieved by the Closing Date then no Shares will be allotted and all application moneys will be refunded to Applicants without interest.

3.2 Opening and Closing Dates

Subscription lists will open on the Opening Date and will remain open until 5.00 pm CST on the Closing Date subject to the right of the Company to either close the Issue at an earlier time and date or to extend the closing time and date without prior notice. Applicants are encouraged to submit their Applications as early as possible after the Opening Date. If the exposure period for the Prospectus is extended by the ASIC then the Opening Date will be altered to the first business day after the last day of the exposure period.

3.3 Priority Allocation – Minotaur Resources Ltd Shareholders

Registered holders of shares in Minotaur Resources Ltd as at the date of this Prospectus ("Minotaur Shareholders") will each have a priority right to apply for shares offered under this Prospectus provided

they lodge their applications before the Closing Date for such priority allocations, namely 5pm CST on 17 June 2004.

The priority allocation will be restricted to 10,000,000 Shares. Shares not taken up by Minotaur Shareholders will be made available to the general public as part of this Offer.

3.4 Indicative Timetable

Opening Date of Offer

19 May 2004

Closing Date for Priority Allocation to Minotaur Shareholders

17 June 2004

Closing Date of Offer

24 June 2004

Despatch of Statements of Shareholding

1 July 2004

Quotation of Shares on ASX expected to commence

8 July 2004

The above dates are indicative only

3.5 Purpose of the Issue

The purpose of the Issue is to raise adequate funds to pursue the projects described in this Prospectus, in particular:

- To develop heat flow models for Radiogenic Iron Oxide (RIO), Enhanced Natural Thermal Systems (ENTS) and Thermally Anomalous Granite (TAG) within the licence areas;
- To test each area for thermal anomalism with a shallow test hole (approximately 750 metres);
- To undertake an evaluation well of an identified thermal resource.

see table below

	Minimum Subscription	Maximum Subscription
<i>The funds raised from the Issue will be applied as follows:</i> (budget for first two years)		
Exploration Expenditure	\$ 2,625,000	\$ 3,750,000
Expenses of the Issue	\$ 425,000	\$ 525,000
Administration	\$ 950,000	\$ 950,000
Unallocated Working Capital	\$ -	\$ 775,000
Total	\$ 4,000,000	\$ 6,000,000

The Company will have sufficient working capital to carry out its stated objectives. Details of the programs proposed and the associated expenditures are provided in Section 8 of this Prospectus. Funds from any R&D Start Grant will be additional to the funds raised by this Offer.

3.6 Applications for Shares

Applications must be for a minimum of 10,000 Shares (\$2,000.00) and thereafter in multiples of 1,000 Shares and can only be made by completing the Application Form attached to this Prospectus. The Company reserves the right to reject any Application or to allocate any investor fewer Shares than the number applied for.

3.7 How to Apply

Applications under the Offer may be made, and will only be accepted, in one of the following forms:

- on the relevant Application Form accompanying this Prospectus;
- on a paper copy of the relevant electronic Application Form which accompanies the electronic version of the Prospectus, both of which can be found at and can be downloaded from www.petratherm.com.au

Paper Application Forms, whether accompanying a paper copy of the Prospectus or which have been downloaded from www.petratherm.com.au must be accompanied by a personal cheque or a bank draft payable in Australian dollars, drawn on an Australian branch of an Australian registered bank for an amount equal to the number of Shares for which Application is made multiplied by the Application price of \$0.20 per Share. Cheques or bank drafts should be made payable to "Petratherm Ltd Float Account" and crossed "Not Negotiable".

Applicants should ensure that cleared funds are available at the time the Application is lodged, as dishonoured cheques will result in the Application being rejected.

Applicants completing paper Application Forms should return their completed Application Forms to Computershare Investor Services Pty Limited at the address shown in the Corporate Directory on the inside front cover of the Prospectus by no later than 5.00 pm (CST) on 24 June 2004. Minotaur Shareholders should tick the appropriate box on the Application Form to indicate that they are shareholders in Minotaur and should lodge their application by 5.00 pm (CST) on 17 June 2004 in order to receive priority.

All Applications must be received no later than 5.00 pm (CST) on 24 June 2004 unless the timing is varied. Detailed instructions on how to complete paper Application Forms are set out on the reverse of those forms. It is not a requirement to sign the Application Form. The Company reserves the right to reject any Application (including where an Application has not been correctly completed) or allocate any person fewer Shares than that person applied for, or vary the dates and times of the Offer without prior notice and independently of other parts of the Offer. Where Applications are rejected or fewer Shares are allotted than applied for, surplus Application Monies will be refunded. No interest will be paid on any Application Monies refunded.



3.8 Pro Forma Capital Structure

The pro forma capital structure of Petratherm is set out below to reflect the issued and paid up capital structure of the Company on the basis that the minimum subscription is achieved.

CAPITAL STRUCTURE			
	NUMBER OF SHARES	AMOUNT PAID \$	% ISSUED CAPITAL
SHARES HELD BY MINOTAUR RESOURCES INVESTMENTS PTY LTD	1	1	-
SHARES ALLOTTED TO MINOTAUR RESOURCES INVESTMENTS PTY LTD Ordinary shares ; being consideration for purchase of all the shares of MNGI Pty Ltd	15,000,000	-	42.10
SHARES OFFERED FOR SUBSCRIPTION Ordinary shares at \$0.20 each payable in full on application	20,000,000	4,000,000	56.14
SHARES TO BE ALLOTTED TO ADELAIDE RESEARCH & INNOVATION PTY LTD (contingent upon acceptance.) Ordinary shares; being consideration for services	625,000	-	1.76
PROPOSED ISSUED CAPITAL AFTER ISSUE	35,625,001	4,000,001	100.00

UNLISTED OPTIONS

EXISTING	10,100,000	Exercisable at \$ 0.20 at anytime on or before 5 years from the date of issue
TO BE ISSUED	2,000,000	Exercisable at \$ 0.20 at anytime on or before 5 years from the date of issue
OPTIONS AFTER ISSUE	12,100,000	

It is anticipated that the Company's cash asset backing, based on the pro forma capital structure set out above, will be 10.0 cents per share undiluted or 12.6 cents per share fully diluted. The cash asset backing is calculated on the basis that expenses connected with the offer are estimated at \$ 425,000 (refer section 14.6). If the Offer is fully subscribed the proportion of the issued capital held by the public will increase to 65.75% and the proportion held by Minotaur Resources Investments Pty Ltd will drop to 32.88%.

3.9 Allotment and Allocation of Shares

Subject to the ASX granting approval for the Company to be admitted to the Official List, the allotment of Shares to Applicants will occur as soon as possible after the Offer is closed, following which statements of Share holdings will be dispatched. It is the responsibility of Applicants to determine their

allocation prior to trading in Shares. Applicants who sell their Shares before they receive their holding statements will do so at their own risk. Pending the issue of the Shares or return of the Application Monies, the Application Monies will be held in trust for the Applicants.

The Company, has the right to allocate the Shares under the Offer in its absolute discretion. The Company may reject any Application or allocate any investor fewer Shares than applied for under the Offer. If an Application is not accepted, or is accepted in part only, the relevant part of the Application Monies will be refunded. Interest will not be paid on Application Monies refunded.

3.10 Sponsoring Broker

The Offer pursuant to this Prospectus is not underwritten. Taylor Collison Ltd is the sponsoring

broker to the Offer in respect of which it will receive commission of 4% and a management fee of 1% of the amount applied for under this Prospectus together with 2,000,000 options exercisable at \$0.20 per share with an exercise period of five years.

3.11 ASX Listing

Within seven days after the date of this Prospectus application will be made to the ASX for the Shares offered by this Prospectus to be granted Quotation. If approval for Quotation is not granted within three months after the date of this Prospectus, the Company will not allot or issue any Shares pursuant to the Offer and will repay all Application Monies without any interest as soon as practicable. The fact that the ASX may admit Petratherm to its Official List is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

3.12 CHESS

Petratherm will apply to participate in the clearing house electronic sub-register system ("CHESS"), operated by ASX Settlement and Transfer Corporation Pty Ltd ("ASTC") (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and SCH Business Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to investors. Instead the Company will provide investors with a holding statement (that is similar to a bank account statement) that will set out the number of Shares allotted to that investor under this Prospectus. The Statement will also advise investors of either their Holder Identification Number (HIN) in the case of a holding on the CHESS sub-register or Securityholder Reference Number (SRN) in the case of a holding on the issuer sponsored sub-register. A statement will be routinely sent to holders at the end of any calendar month during which their holding changes. A holder may request a statement at any other time, however a charge may be incurred for additional statements.

3.13 Restricted Securities

As a condition of admitting the Company to the Official List, the ASX may classify certain Shares held prior to the date of this Prospectus as escrowed securities. Prior to Quotation it will be necessary for these shareholders to enter into restriction agreements with the Company. The effect of the restriction agreements will be that the restricted securities cannot be dealt with for a period as determined by the ASX.

3.14 Investment Risks

The investment offered herein is speculative, as the tenements detailed in this Prospectus are at an early exploration stage, some technical processes are still to be tested and the ability to produce geothermal energy for an economical cost has not yet been proven.

Further information on investment risks is provided in Section 10 of this Prospectus.

3.15 Applicants Outside of Australia

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. It is the responsibility of any Applicant who is resident outside of Australia to ensure compliance with all laws of any country relevant to their Application, and any such Applicant should consult their professional advisors as to whether any government or other consents are required, or whether any formalities need to be observed, to enable them to apply for and be allotted Shares. No action has been taken to register or qualify the Shares or the Offer or otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

3.16 Enquiries in Relation to the Offer

This Prospectus provides information for potential investors in Petratherm and should be read in its entirety. If after reading this Prospectus you have questions about any aspect of the investment in Petratherm, please consult your stockbroker, accountant or independent financial advisor.



4. Directors' Review

Summary

Petratherm has a mission to produce commercially sustainable, emission-free, renewable energy by identifying and developing hot geothermal source rocks. To achieve this, the Company has identified the following processes:

A: Identify a Thermal Resource

This phase represents a two-staged exploration program, with well-defined decision points, to lower the cost, and risk, of exploration. A major requirement is for the potential geothermal energy sources to occur both close to market and at a manageable depth. The targeted sources have been modelled in collaboration with the University of Adelaide. Ideally, temperatures in excess of 250°C are sought.

B: Development of an Optimised Circulation System

Thermal energy is extracted from hot rocks by water circulated under pressure through them. An efficient circulation system must be developed with intersecting or continuous fracture patterns developed between injection and production wells. The Company, together with the University of Adelaide, is developing a sound knowledge of the relationship between stress fields and fracture patterns and the use of directional drilling to enhance circulation rates within the target areas in South Australia and expects that this technology will be applicable to potential geothermal sources elsewhere.

C: Heat Exchange and Generation of Electricity

A number of standard binary geothermal power plants are available in the market. The installation of a surface heat exchanger and generation of electricity utilises "off the shelf" technology.

The Company's plan is to discover an economic geothermal hot rock source in the first two years of operation and three possible sources have been determined to date. Location, depth and temperature will define the commercial ranking of each source.

Once identified, the most encouraging source will be tested with a slim-line evaluation drill hole. If positive, two development wells will need to be drilled, the rock fractured and flow established, these operations being expected to be undertaken in the third year, and require extra funds unless R&D Start Grant funding is obtained.

The final phase, beyond the scope of this Prospectus, requires additional drilling on a grid spacing to establish a commercial power plant.

Once in commercial operation, a second system of wells will be developed adjacent to the first. These wells can be alternated with the original wells enabling the initial field time to reheat. Calculations indicate the reheating process will take 1.5 times as long as the production period, thus a 20 year production period would require a 30 year recovery. The development of the second system effectively creates a potentially everlasting heat source if correctly managed.

The Company will apply for a R&D Start Grant of up to \$4,000,000 to assist it in developing successful exploration and production methods, particular to South Australia and potentially elsewhere. This will supplement the funds to be raised through this Prospectus and may allow the program to be brought forward.

The Company has an experienced Board consisting of representatives selected from the founding shareholders, Minotaur, the energy industry and the University of Adelaide. In the initial phase, Minotaur has agreed to make certain members of its exploration staff available to the Company on a secondment basis.

4.1 The Projects

The opportunity to generate energy by heat transfer from the controlled passage of water through hot rocks is at various stages of development throughout the world. The most efficient heat exchange process appears to be when the temperatures of the host rock are in excess of 220°C although there are projects with lower temperatures envisaged. Heat

is generated in the host by naturally occurring radiogenic minerals, but will only be retained if the host is insulated. In nature this insulation is provided by significant thicknesses of cover material. It is estimated that a minimum of three kilometres of cover is required to maintain a temperature in excess of 220°C although this will vary depending on both the original temperature of the host and the insulating properties of the cover sequence. Typical host rocks that contain radiogenic minerals are granite and some iron oxide deposits.

Granites near Arkaroola, in northern South Australia, contain an average of eight and up to twenty five times the radiogenic material compared to most granites and, with the right insulation, have the potential to generate high temperatures.

Minotaur, the discoverer of the Prominent Hill iron oxide (copper-gold) deposit, noted the radiogenic nature of this and the larger Olympic Dam mineralisation. In modelling the heat flow in these types of deposits, with the correct form of insulation, they may become even hotter than the radiogenic granites near Arkaroola.

Minotaur identified three targets where highly radiogenic granite or iron oxide deposits might occur, all with potentially favourable heat retention characteristics. The Company has acquired the tenements covering the three targets and the technology relating to search and evaluation of hot rock sources through its acquisition of MNGI Pty Ltd. Tenement selection was based on geological features and site location, while drill target selection will be based on geophysical data relating to depth of burial, and potential heat flow models.

Having acquired the Tenements, the next stage (Stage 2) is to define, at minimal cost, the limits of the hot rocks and thus the optimum place to develop a test site. Hot rock resources have a large thermal footprint that extends well beyond the resource itself, so a shallow well (750 metres) will be completed above the potential hot rock resource in order to remotely test the temperature of the target rocks as well as the stress environment and fracturing characteristics. The results from the test program are used to measure the prospect's ability to develop, through heat exchange, economic geothermal energy. This will complete the thermal anomalism test.

Stage 3 of this project involves the completion of a test well into the source rock and the evaluation of the thermal reservoir. Stage 4, which can commence

in the second year with a successful R & D Start Grant, incorporates the completion of injection and production holes and the establishment of a system of heat exchange through circulating water.

Stage 5, power generation, but beyond the scope of this raising, is the establishment of a large-scale commercial power plant. Additional funds will be sought from a combination of joint venture partners, debt and equity.

4.2 The Company

Petratherm was established on 24 October 2003 with the aim of obtaining tenements suitable for the production of economically viable hot rock energy, together with methodology and research data to assess the potential of such tenements. To date, three Tenements have been obtained which are characterised by:

- Potential occurrence of substantial rock masses with naturally occurring radiogenic minerals;
- Proximity to major infrastructure;
- Depth to top of target rock in the three kilometre range;
- Potential heat exchange reservoir characteristics; and
- Location not affected by problems of restricted access.

Petratherm believes that the requirement for power from renewable energy sources will increase, and that hot rock energy is one of the few forms of renewable energy that can provide base-load power without significant impact on the environment.

4.3 Management Team

The Company has an experienced management team with proven corporate and exploration success.



Peter Reid
Chief Executive Officer

The Chief Executive Officer, Peter Reid will be responsible for the day to day management and exploration strategy of the Company. With his strong geological background Peter will direct project generation and research. Peter has an Honours Degree from the University of Adelaide in geology and previously was a senior geologist with Minotaur. All Board members have participated in the exploration industry in a variety of roles over a number of years and will bring together the necessary skills required to be successful. Full details are in Section 4.7 of this Prospectus. It is intended to add to the Board in future as the emphasis on activities turns to production.

4.4 Company Objectives and Strategies

The Company through its subsidiary MNGI Pty Ltd holds geothermal licences over areas close to potential energy consumers in South Australia. These Tenements have been identified by the Company as likely to contain hot rocks at depths in the range 3 – 3.5 kilometres. The initial objective is to assess the potential to provide clean, renewable energy to sites such as Prominent Hill, with the Company's ultimate objective being to provide power to the national electricity grid.

Three areas will be tested. At Ferguson Hill, 110 kilometres east of Prominent Hill, the objective is to generate power capable of supplying the mine at Olympic Dam, and the potential mine at Prominent Hill, at a competitive rate. The Callabonna and Paralana licences, further south and to the east, are within 170 kilometres of the State electricity grid at Leigh Creek, providing potential to link with that grid.

To achieve these objectives the Company must successfully complete the project stages described in Section 4.1. It is intended that R&D Start Grant funding and contributions of expertise by the University of Adelaide will help facilitate this. In

addition, the Company will be actively pursuing joint venture and other funding opportunities to enable it to proceed towards geothermal electricity production.

4.5 Acquisition of MNGI Pty Ltd

The Company has purchased all of the issued shares in MNGI Pty Ltd from a subsidiary of Minotaur. MNGI Pty Ltd holds licences over areas with potential for hot rock energy. Consideration for the purchase is the issue of 15,000,000 Shares and 7,500,000 Options exercisable at \$0.20 each at any time up to and including the date five years from the date of grant of the Options. The terms and conditions of these options are set out in Section 14.11.2 of this Prospectus.

Upon listing, the Minotaur group of companies will be a substantial shareholder of Petratherm.

4.6 The Tenements

The Company initially will have access to 1500 square kilometres of land through geothermal exploration licences, the tenements all being 100% owned by MNGI Pty Ltd and located in South Australia.

Full details of these holdings are set out in Section 13 of this Prospectus.

4.7 Profile of Directors



Derek Carter
BSc, MSc, FAusIMM(CP)
Age 56 years
Chairman

Derek Carter is a geologist with over 30 years experience in corporate management, exploration and mining. He worked in Australia and overseas for Billiton (Shell Group of Companies) for 16 years. For 5 years he was General Manager - Exploration for Burmine Ltd before establishing and becoming Managing Director of Minotaur Gold NL (now Redport Ltd) in 1993. In 2000 he was responsible for the formation of Minotaur and has been Managing Director since its inception. He is also a director of Mithril Resources Ltd.

He is a Councillor and Vice - President of the South Australian Chamber of Mines and Energy and is a member of the South Australian Resources

Industry Development Board, a board appointed by the Government to advise the State on mining and exploration development. In 2003 he was the joint recipient of the Association of Mining and Exploration Companies' (AMEC) Prospector of the Year Award.



Lloyd Taylor
BSc(Hons), PhD, MAICD
Age 53 years
Non-executive Director

Lloyd Taylor holds a doctorate in geology and geophysics from the University of Sydney. He has 27 years exploration and production experience with Woodside Petroleum Limited, Shell International, Santos Ltd and Fletcher Challenge Energy Ltd. During the last 13 years he has been responsible for general management and leadership of oil and gas business operations in Australia, Papua New Guinea, USA, United Kingdom, Canada, Indonesia, Brunei and New Zealand. Most recently he held the role of Chairman and Managing Director of Shell New Zealand. Prior to that he was the Chief Operating Officer of Fletcher Challenge Energy Ltd.

Lloyd currently provides a management advisory service to the energy industry. He is a member of the Australian Institute of Company Directors.



Richard Hillis
BSc, ARSM, PhD
Age 39 years
Non-executive Director

Richard Hillis is the State of South Australia Professor of Petroleum Geology and Mawson Professor of Geology and Geophysics at the University of Adelaide. His research expertise is in the area of subsurface stresses within the crust and their impact on petroleum exploration-related issues such as wellbore stability, fracture stimulation and subsurface fluid flow. He has undertaken 30 consulting projects for 16 oil companies, primarily in the area of subsurface stresses and has taught industry professional short courses on the subject in Australia, Japan, Vietnam, Brunei and the United Kingdom. Richard, who has authored or co-authored 80 scientific papers and edited two books, heads a research group at the University of Adelaide, which includes post-doctoral and PhD students, researching crustal stress.



Richard Bonython BAgSc
Age 69 years
Non-executive Director

Richard Bonython has over 40 years experience in the building, construction, rural and mining exploration industries. In the last 10 years he has principally been involved in the mining industry and has been influential in the formation and ultimate listing of several mineral exploration groups. He is an executive director of Minotaur Resources Ltd (2000 to present) and a non-executive director of Mithril Resources Ltd (2002 to present), both listed on the ASX.

From 1996 to 2000, Richard was a non-executive director of Minotaur Gold NL (now Redport Ltd). In 1999 he retired as Chairman of Diamin Resources NL having been a director of that company for 15 years. He was executive director of Pioneer Property Group Ltd for over 15 years.



Simon O'Loughlin BA Acc
Age 47 years
Non-Executive Director

Simon O'Loughlin is a legal practitioner with over 25 years experience as a corporate and commercial solicitor. He has had extensive involvement in the mining industry, especially in relation to the formation, structuring and listing of small to medium sized resources companies. In recent times he has been a director of Gowit Ltd (now Agincourt Resources Ltd), Waymouth Resources Ltd (now Living Cell Technologies Ltd) and Hindmarsh Resources Ltd. Simon is a past President of the Save The Children Fund (SA Division) and a past Chairman of Taxation Institute of Australia (SA Division).

4.8 Corporate Governance

The Board of Directors is responsible for the corporate governance of the Company including its strategic development.

5. Carbon Dioxide and Global Warming

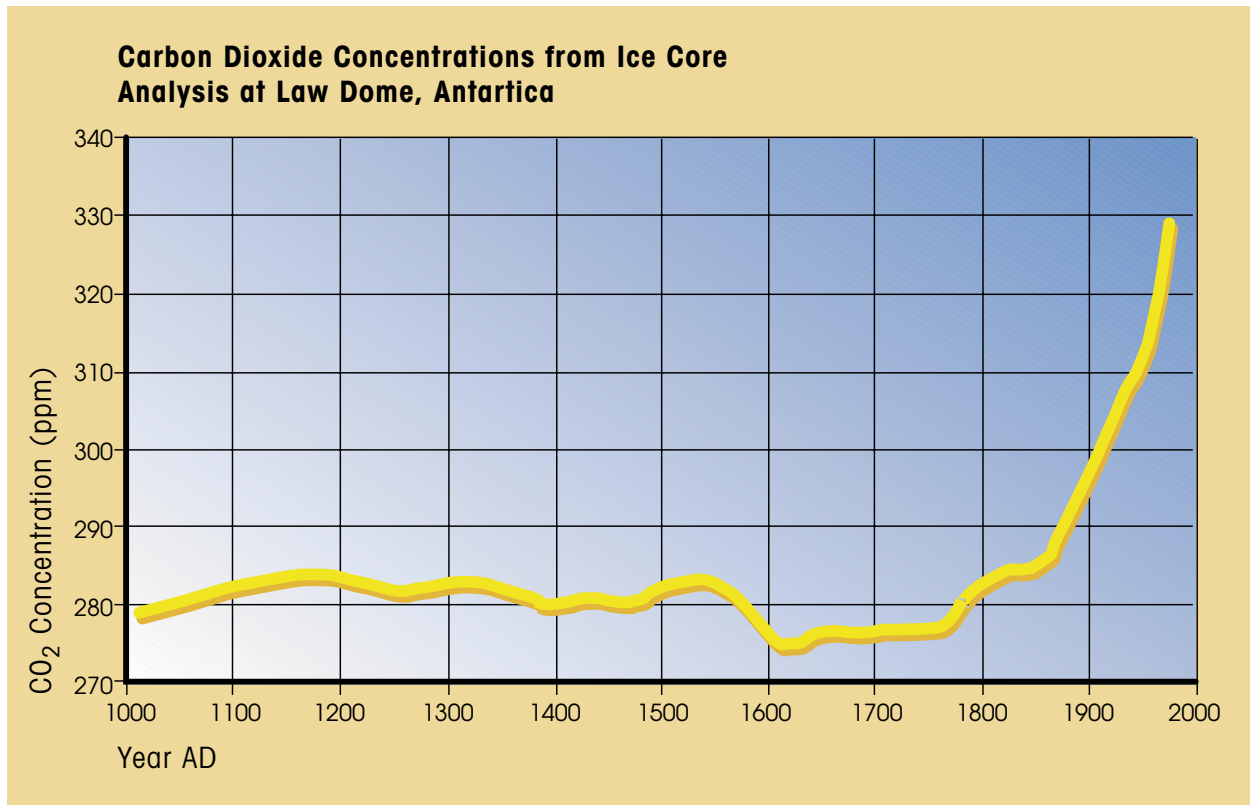


Figure 1

The industrial revolution of the mid-19th century has led to an enormous increase in the use of so-called “fossil fuels” across the globe. Fossil fuels are formed by the breakdown of organic matter trapped in sediments over the course of millions of years. The organic matter contains carbon and the burning of this organic carbon in the presence of oxygen produces carbon dioxide. The rapid increase in the consumption of fossil fuels has led to an increase in the amount of carbon dioxide being released into the atmosphere. Analysis of air bubbles trapped in ice has allowed scientists to document the increase in carbon dioxide in the atmosphere over the last two hundred and fifty years. *Figure 1* shows data on atmospheric carbon dioxide derived from ice cores obtained at Law Dome, East Antarctica.

Ice cores studies at other sites in Antarctica have documented the concentration of carbon dioxide in the atmosphere over the last 420,000 years and indicate that levels are currently higher than any time during that period. Additional studies show that the current rate of increase of carbon dioxide in the atmosphere is two orders of magnitude higher than at any time during the last 11,000 years.

Increasing concentrations of atmospheric carbon dioxide are thought by some to contribute to global warming through the “enhanced greenhouse effect”.

The carbon dioxide in the atmosphere allows energy from the sun to pass through while trapping heat radiated from the earth’s surface. This natural process is important for maintaining the earth’s surface at a habitable temperature. Burning of fossil fuels, along with land clearing is increasing the concentrations of carbon dioxide and other greenhouse gases in the atmosphere. Scientists are concerned this will trap more heat and raise the earth’s surface temperature.

5.1 Policy Responses to Global Warming

Increasing scientific and political concerns saw global warming introduced to the United Nations agenda. During the 1990s there was a succession of resolutions aimed at marshalling efforts to counter global warming. The focus of these is the reduction of emissions of greenhouse gases (GHG).

The 1992 Framework Convention on Climate Change was the first formal international statement of concern and agreement to take action to stabilise atmospheric carbon dioxide concentrations. In this context the 1997 Kyoto Protocol was negotiated. The Kyoto Protocol specified commitments by individual developed countries to reduce emissions by on average 5.2% below 1990 levels in the “commitment period” from 2008 to 2012.

As a result of negotiations at Kyoto, Australia was given a target of emissions to be no more than 108% of 1990 levels for the period 2008 to 2012. Although not formally ratifying the Kyoto Protocol, the Australian Government appears committed to its Kyoto target of limiting emissions.

5.2 Australia's Greenhouse Gas Emissions

Greenhouse Australia, a government office devoted to greenhouse issues, has recently released an inventory of Australia's GHG emissions for 2001,

suggesting Australia released 543 million tonnes net of CO₂e (using Kyoto Accounting Protocols) into the atmosphere in 2001. The so-called stationary energy sector, which includes the generation of electricity as well as the direct consumption of solid, liquid, gaseous, biomass and other fuels for purposes other than electricity generation, was responsible for nearly 48% of these emissions (*Figure 2*). Seventy percent of the emissions in the stationary energy sector are from electricity generation (*Figure 3*).

Australian Greenhouse Gas Emission by Business Sector

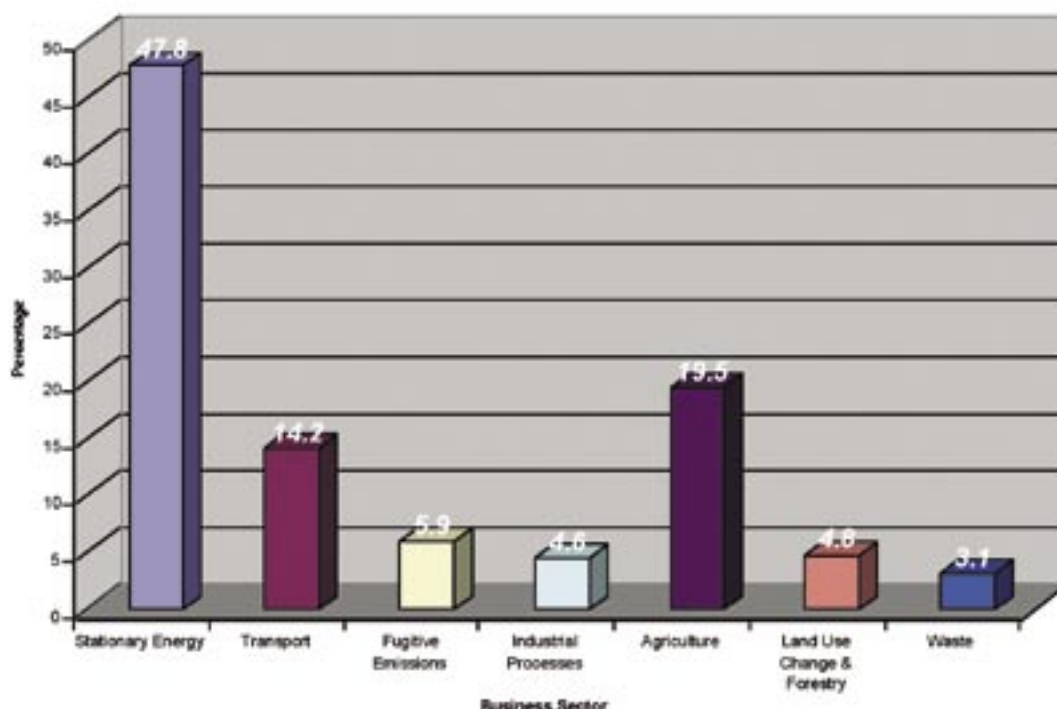


Figure 2

Australian Stationary Emission by Business Sector

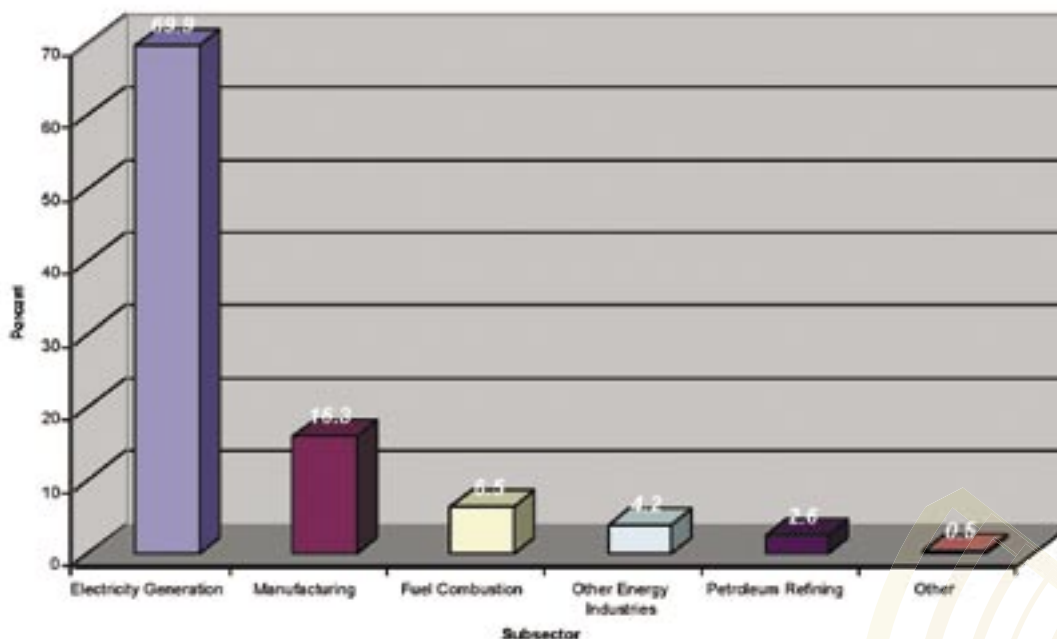


Figure 3

GHG Emissions from Electricity Generation in Australia 1990-2000

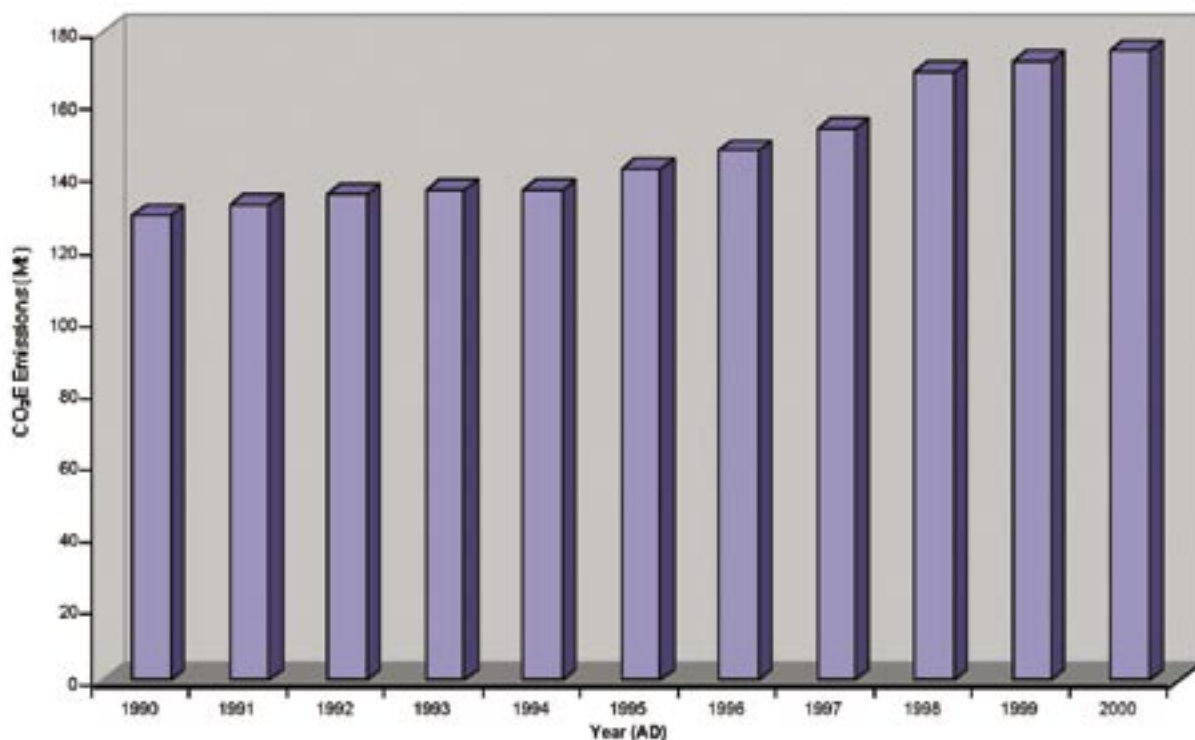


Figure 4

5.3 Trends

The contribution to GHG emissions by electricity generation has been increasing, rising by about 35% between 1990 and 2000 (*Figure 4*). Electricity generation now represents about one third of the total of Australian GHG emissions.

5.4 Government Response

To encourage the use of renewable energy, the Commonwealth Government introduced the Renewable Energy (Electricity) Act 2000 ("the Act"). One of the initiatives introduced by the Act is known as the Mandatory Renewable Energy Target ("MRET"). The Act aims to achieve an additional 2% of Australia's electricity from renewable sources. The objectives of the Act are:

- to encourage the additional generation of electricity from renewable sources;
- to reduce emissions of greenhouse gases, and
- to ensure that renewable energy sources are ecologically sustainable.

The additional generation targets are specified for ten years and are national targets. They are not apportioned to States but to electricity retailers on

the basis of how much electricity they sell. The Act specifies acceptable renewable sources.

The task, as mandated by the Act, is to generate an additional 9,500 gigawatt hours (GWh) of electricity per annum by renewable means by 2010. The Electricity Supply Association of Australia estimates that an additional 3000 megawatts (MWe) of renewable capacity will need to be brought on-line to generate the required amount of renewable electricity. Renewable energy sources are listed in *Figure 7*.

5.5 Renewable Energy Certificates

Generators of electricity from renewable sources may register with the Office of the Renewable Energy Regulator, and receive Renewable Energy Certificates ("RECs") for the renewable energy that they generate. These certificates can be traded with liable entities (eg electricity retailers), which are required to obtain and surrender a certain number of certificates per year (*Figure 5*). The Renewable Energy (Electricity) (Charge) Act 2000 sets a non tax-deductible penalty of \$40 per megawatt-hour (MWh) for retailers who fail to surrender the correct number of certificates. This price is anticipated to encourage new renewable generation projects.

Renewable Energy Market

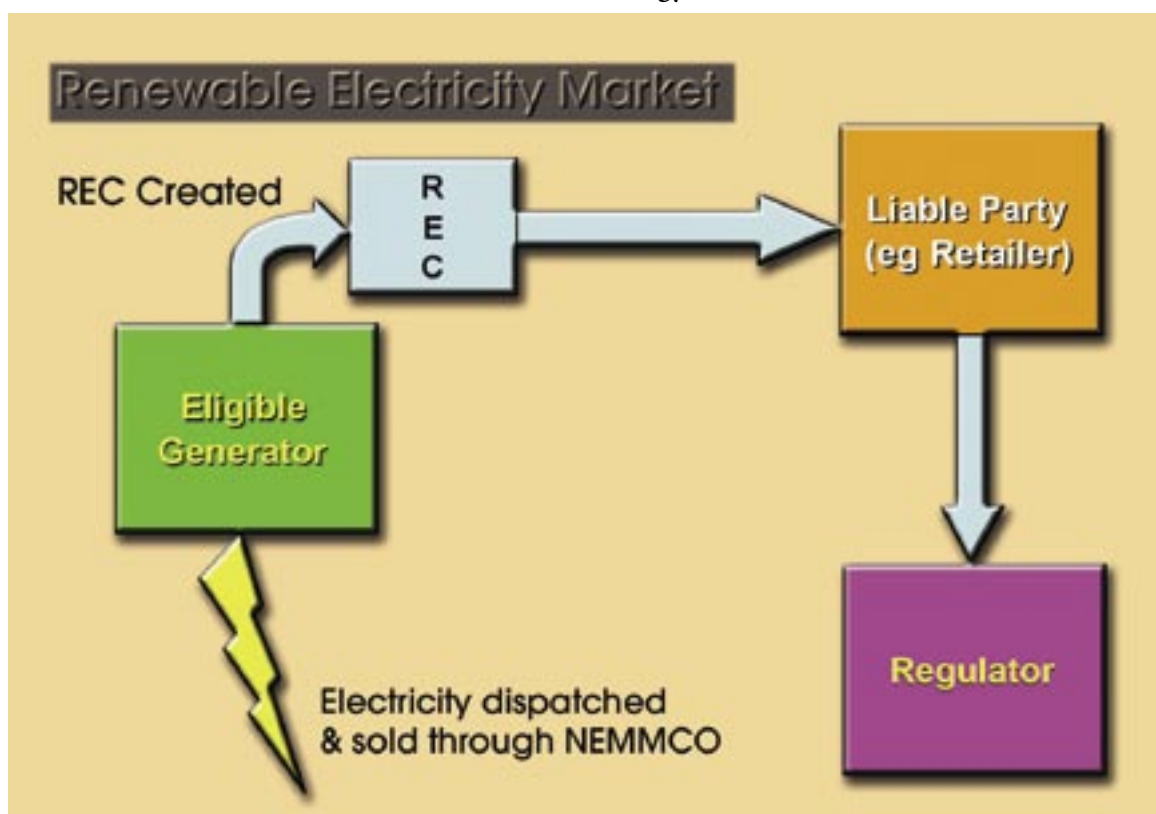


Figure 5

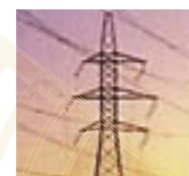
In September 2003, the MRET Review Panel was established and their report recommends that after 2010 the \$40 penalty should be indexed and that the RECs should have a 15 year period applicable to all projects commenced after 2005. The Panel also recommended that the target increase in renewable energy should be increased to 20,000 GWh by 2020.

5.6 National Electricity Market

In late 1998, the National Electricity Market (NEM) commenced operating. The aim of the NEM is to promote competition throughout the electricity supply chain. The NEM provides power to 7.7 million customers through an interconnected grid that takes in Queensland, New South Wales, the Australian Capital Territory, South Australia and Victoria. Tasmania is set to join in 2005 with the completion of BASSLINK. Approximately \$8 billion worth of electricity is traded annually through the NEM.

The National Electricity Market Management Company Limited (NEMMCO) operates a wholesale market for trading electricity between generators and electricity retailers in the NEM. All electricity output is pooled and then scheduled to meet electricity demand.

Pool price varies according to electricity demand and available generating capacity. To minimise the risk of volatile pool prices, market participants buy and sell electricity hedge contracts, which provide price certainty for fixed quantities of electricity. Contracts can be sold between generators and retailers. There are also some intermediaries, such as brokers and banks, who trade with the market participants.



6. Hot Rock Geothermal Energy

Schematic Diagram of HR Geothermal Power

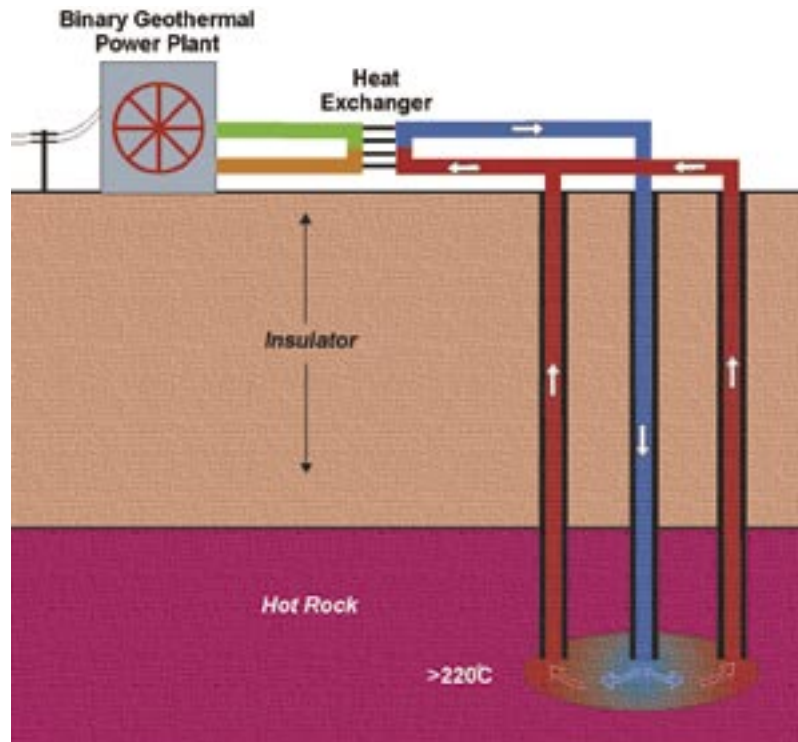


Figure 6

6.1 Process

Naturally occurring heat from the earth is a massive, environmentally friendly energy resource. As the earth is constantly generating heat, the energy is classified as a renewable resource. One of the processes of extracting heat, which is then used to generate electricity, is outlined in *Figure 6* above.

In this process water is pumped down a borehole into a hot rock source where temperatures are typically between 200°C and 280°C. The water flows away from the injection well through a network of tiny fractures, either naturally occurring and/or by hydraulic stimulation of the natural system. As the water passes through the fracture reservoir it is rapidly heated to a high temperature by contact with the hot rock - this is known as the underground heat exchanger. Under pressure the heated water then returns to the surface via a production well located several hundred metres away from the original injection well. Although the water is at temperatures in excess of 200°C, the high pressures associated with the closed loop system prevent it from turning to steam.

At the surface the superheated water is passed through a heat exchanger where most of the heat

is extracted. The heat extracted from the water in turn heats a low boiling-point liquid, which boils, producing high-pressure steam used to drive electricity turbines. The surface heat exchanger is another closed-loop fluid system. The cooled water is then re-injected back down the injection borehole to be reheated and used again. A “farm” of injection and production wells could be used to produce large-scale, constant and renewable power.

6.2 History

The first proposal to use geothermal energy from basement hot rocks (“HR”) came from physicists at the Los Alamos Scientific Laboratory in New Mexico (USA) in 1970. Here recent volcanism at Fenton Hill created a localized hotspot with temperatures reaching 195°C at depths of 3 kilometres. During the late 1970s research scientists undertook circulation tests on two drill holes sited 90 metres apart over a total period of 100 days. Test results were extremely encouraging, and 5 GWh of energy were produced during the experiment with minimal water loss. From 1979 work commenced on accessing a deeper, higher temperature resource, culminating in a series of experiments between 1992 and 1995 to measure the effects of various flow rates and head



HR Geothermal Compared with Other Energy Sources

Comparison of Electricity Sources	HR Geothermal	Wind	Hydro	Solar	Biomass	Coal	Gas
Renewable	YES	YES	YES	YES	YES	NO	NO
Emission Free	YES	YES	YES	YES	NO	NO	NO
Constant Base-Load Capacity	YES	NO	YES	NO	YES	YES	YES
Potential for Large Scale Production	YES	NO	YES	NO	NO	YES	YES
Free of fuel costs	YES	YES	YES	YES	NO	NO	NO
Environmental Footprint	SMALL	LARGE	LARGE	SMALL	SMALL	LARGE	SMALL

Figure 7

pressures. The tests successfully circulated water at temperatures nearing 200°C and gave valuable information on water loss and reservoir permeability issues. In 2001 government funding was withdrawn in favour of supporting the already well-established conventional geothermal industry and the plant was decommissioned. However the positive findings from experimental research undertaken at Fenton Hill stimulated further research around the world including the U.K., France, Germany, Switzerland, Sweden and Japan.

Currently the most advanced HR project is at Soultz-sous-Forêt in France, north of Strasbourg. Work first commenced as a research project in 1987 and included establishing a circulation test between two drill holes spaced approximately 500 metres apart at a depth of 3,900 metres. Over a period of four months in 1997 water at a temperature of 140°C was circulated at 25 litres per second with no water loss or drop in temperature. Following this success, one of the wells was deepened to 5000 metres where rock temperatures of 200°C were recorded and hydraulic stimulation created a reservoir 1500 metres long and 500 metres wide. A second well was drilled into this reservoir 650 metres away and water was successfully circulated between the two wells. A small pilot power plant and an additional circulation well are planned for 2004.

6.3 Advantages

Power generation, based on HR energy, has key advantages over the other sources of power generation (*Figure 7*). In particular, it is capable of providing large-scale base-load electricity. For instance, our model suggests that a block of granite one kilometre thick and with a surface area of 25 square kilometres, and having an average initial temperature of 270°C, will support the generation of 1000 MWe of emission-free electricity over a 25 year period.

As the granites are constantly generating heat, the resource is renewable. Thermal studies have shown that it takes approximately one and half times longer than the operating life of the underground heat exchanger to reheat. By the careful rotating of operating wells within the well field, an electricity plant can potentially use this source of energy over many centuries.

Unlike wind and solar electricity production, HR geothermal electricity is driven by an essentially unchanging energy resource, allowing continual base-load supply. Its other great environmental strength, apart from being CO₂ emission-free is its relatively small visual and land use impact.

Total Electricity Generation Cost in Australia

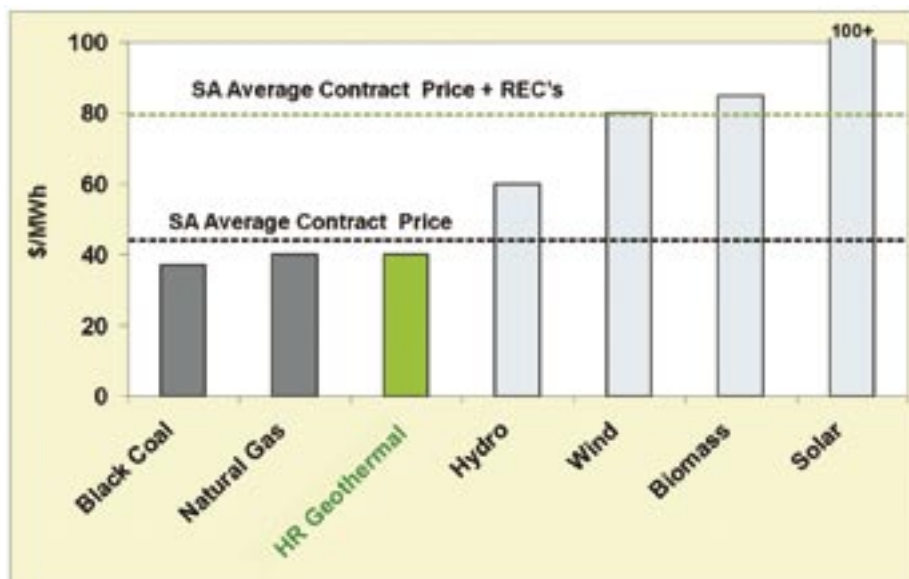


Figure 8

6.4 Economics

HR geothermal energy has the potential to supply large-scale base-load electricity that is cost competitive with the fossil fuel market (*Figure 8*). Petratherm's modelling indicates a conventional mid-sized power station (300 MWe) will produce power at a cost comparable to that of gas (approximately \$40 MWh). By increasing plant size to 1000 MWe and/or implementing the latest developments in geothermal heat processing these costs may even undercut average coal-fired production costs, which are presently the cheapest form of electricity production.

Current average contract price for electricity in South Australia is \$43 per MWh. The profitability of HR electricity is enhanced significantly with the establishment of RECs, which are currently trading in the \$37 – \$40 per MWh range, almost doubling the return to the producer (*Figure 8*).

6.4.1 Economic Modelling Studies

Petratherm has undertaken a detailed review of the costs component behind HR energy. This was based on Petratherm generating a number of HR resource scenarios in which ranges of values were assigned to resource and economic variables such as resource temperature, temperature gradient(s), numbers of fractures, spacing of fractures, well depths and drilling costs.

These scenarios were examined for Petrathern by the geothermal division of Sinclair Knight Merz using the MIT EGS model (Enhanced Geothermal Systems model developed by the Massachusetts Institute of Technology). Some of the outputs from the modelling runs are shown in *Figure 9* expressed as cost of power generation versus values for resource parameters.

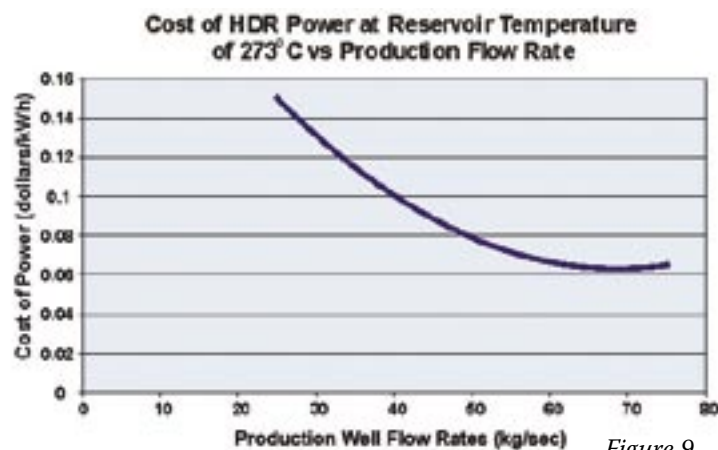
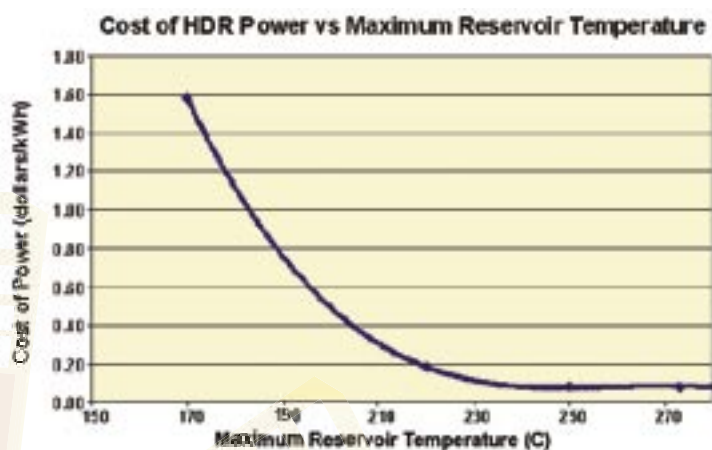


Figure 9

Effect of Temperature and Fluid Flow on Hot Dry Rock (HDR) Geothermal Cost of Power, for a Three Well Pilot Power Plant

The results show overall that there are five key parameters underpinning the cost of generating power from a HR resource. These are:

1. temperature of the resource
2. flow rate of water between injection and production wells
3. drilling costs which are a function of drilling depth
4. location of HR resources, particularly with respect to power markets
5. power plant costs /efficiency

Temperature and Fluid Flow

Temperature and fluid flow (*Figure 9*) combine to provide the thermal flux, being the amount of power that can be generated. A combination of high temperature with high flow rate is optimal.

At Soultz-sous-Forêt, single-well circulation tests in granite have successfully demonstrated flow rates of 25 kg/sec and it is envisaged a multiple production well system, as proposed, will be able to produce a flow of over 50 kg/sec, which is approaching an optimal range.

Drill Cost

A major cost in the discovery and exploitation of geothermal energy is drilling the wells. Current drilling technology enables wells to be drilled to depths in excess of four and five kilometres, although drilling expenses rise exponentially with depth

(*Figure 10*). In particular, drill holes in excess of 3.5 kilometres require specific equipment and expertise and as a result there is a major increase in cost. Petratherm will focus on targets shallower than 3.5 kilometres.

Drilling typically accounts for 30-35% of the overall costs of a HR project, so significant savings can affect the electricity breakeven price. Petratherm's modelling suggests that, with targets at less than 3.5 kilometres depth, 10-20% production cost savings can be made compared to HR developments at depths of 5 kilometres.

Location and Plant

Proximity to market is a fundamental economic driver. An increase in the base cost of electricity produced by a mid-sized 300 MWe HR plant (25 year operating life) of 5% has been modelled for every 100 kilometres distance from the grid.

Current standard (10 MWe) binary geothermal power plants (Organic Rankine Cycle) cost \$1.75 - \$2.25 million per MWe. Expansion of a plant to 50-60 MWe units is expected to reduce the cost to \$1.2 - \$1.6 million per MWe. Whilst initial capital expenditure costs are high compared to those of an average coal or gas-fired plant, HR geothermal running costs are much lower, as there are no ongoing fuel charges. Expansion to a 300 MWe commercial plant using a well grid comprising 16 injection and 23 production wells achieves a 30% discount of costs compared with the above pilot study costs.

Drill Hole Depth vs. Drill Cost

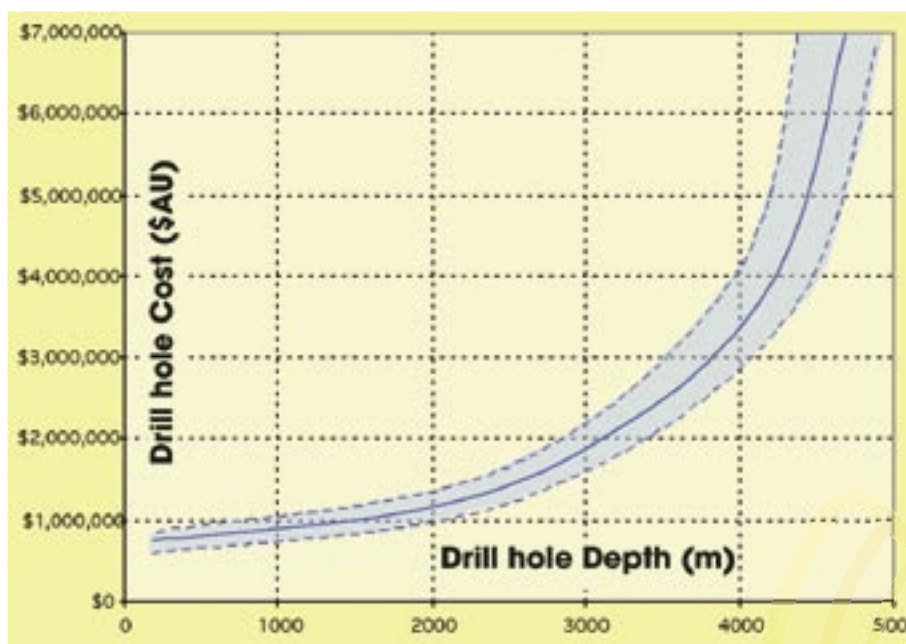


Figure 10

7. Exploration Models

7.1 High Temperature Rocks

There are two main components required for a rock within the earth's crust to achieve the high temperatures needed to be a potential hot rock geothermal energy resource.

Intrinsic heat production

The amount of heat produced by a rock is due largely to the concentration of naturally occurring radiogenic minerals. As the concentrations of the radiogenic minerals are very low (commonly less than 50 parts per million or 0.005%) a large volume of the rock needs to be present to generate significantly elevated temperatures. Granites are an example which commonly occur as large masses which have volumes of greater than 100 cubic kilometres, and are thus an ideal geothermal resource target.

Insulation

Without an insulating cover of material, all the heat generated by the heat-producing rocks would be rapidly dissipated. To trap the heat effectively, the blanketing cover must be a good thermal insulator and must also have a minimum thickness of at least three kilometres to maintain suitable temperatures.

7.2 South Australia's Hot Rocks

The geology of South Australia is dominated by Proterozoic rocks, which were formed between 570 and 2,500 million years ago. While these rocks are not uncommon worldwide, those in South Australia generate significantly more heat than most Proterozoic rock systems elsewhere in the world. Temperature readings, and measurements of heat flow from deep bores define an area of

South Australian Heat Flow Anomaly (SAHFA).
(Numbers correspond to individual heat flow values (mWm^{-2}))

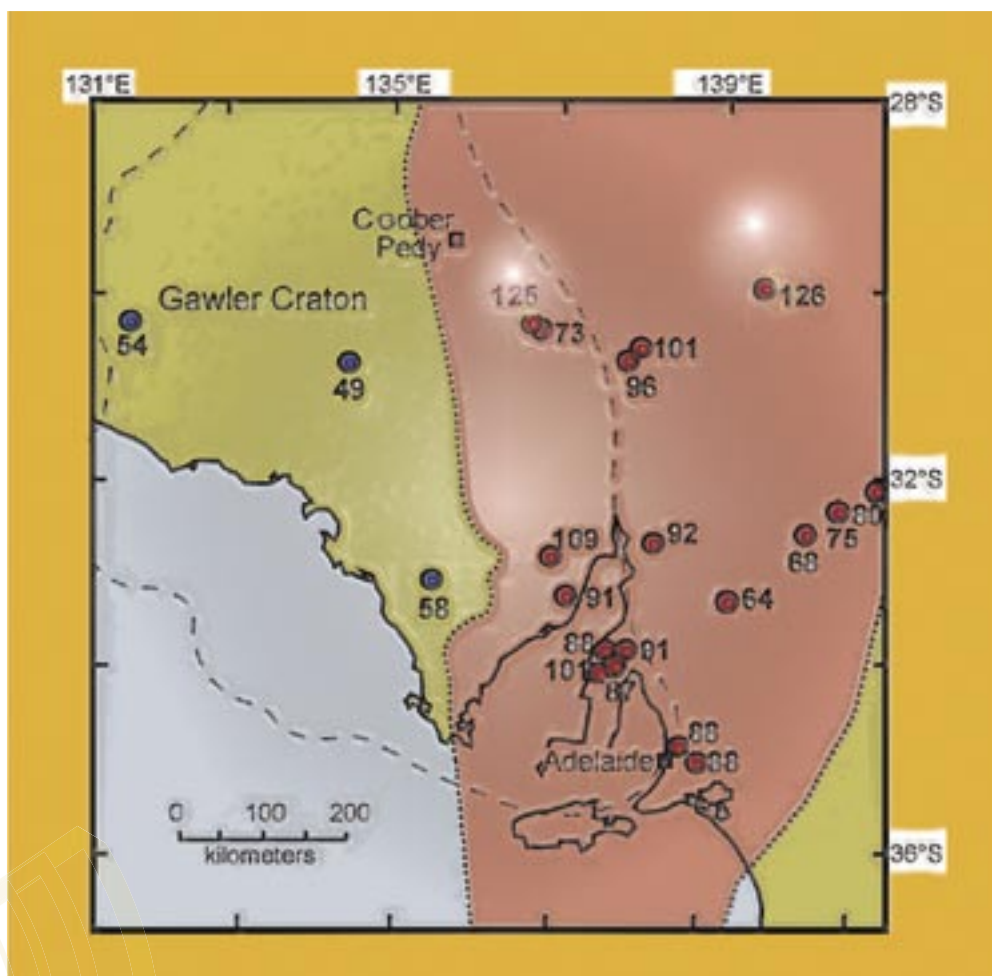


Figure 11

South Australia's crust which is twice as hot as most Proterozoic crust elsewhere in the world. This area of elevated heat flow is known as the South Australian Heat Flow Anomaly or SAHFA (*Figure 11*). It is likely that the SAHFA exists because the upper part of the South Australia's Proterozoic crust is extremely rich in a type of granite that produces far more heat than other rock types. In areas where these granites outcrop, for example in the northern Eyre Peninsula, the heat they produce dissipates immediately producing no thermal anomaly. However where younger sediments bury them, they can reach temperatures in excess of 250°C at depths of less than 5 kilometres. For this reason, the SAHFA is an exceptional exploration target area for hot rock geothermal energy.

Although temperatures within the SAHFA are elevated compared to typical Proterozoic crust, the temperatures within this area are not uniform. At a smaller scale, temperatures will vary according to the localized geology – some areas may be relatively cool, whilst others are much hotter. Location of target sources is based on the use of two specific geological models known as the thermally anomalous granite (TAG) model and the radiogenic iron oxide (RIO) model. Each has clearly defined geological parameters.

7.3 Thermally Anomalous Granite (TAG) Model

Analysis of Petratherm's geological and geophysical database has highlighted the location of a number of thermally anomalous granites within the SAHFA. Measurements on outcrops of these exceptional granites in the Mount Painter region in the northern Flinders Ranges indicate that they produce an average of eight and up to twenty five times the heat of most granites, and 50% more heat than typical rocks within the SAHFA. This makes them amongst the most thermally active granites in the world. Thermal modelling indicates that under favourable conditions, rocks meeting the TAG criteria can generate temperatures of around 250°C at depths of 3.5 kilometres (*Figure 12*).

7.4 Radiogenic Iron Oxide (RIO) Model

This model focuses on areas where ancient volcanic and granitic rocks released hot sub-surface fluids that permeated through the surrounding rocks and altered their composition. Olympic Dam is an

example of this. Natural, low-level radiogenic decay results in extremely high heat production rates (*Figure 13*).

Measured heat production rates in RIO bodies may be as much as 50 times greater than those from average granite, and thermal modelling shows that under favourable conditions temperatures in excess of 200°C may be generated at depths of around three kilometres. Petratherm has a number of techniques, developed by MNGI Pty Ltd, to identify RIO bodies by using detailed gravity (measuring density changes) and magnetic data to detect the iron oxide associated with these systems.

7.5 Enhanced Natural Thermal System (ENTS)

In some instances, the heat transfer from a TAG or RIO body may be enhanced by favourable geological conditions. Specifically, pre-existing faults may already focus natural superheated groundwater. These fault-controlled heat reservoirs telescope potential resources much closer to the surface, allowing cheaper development costs. Development of a heat exchanger is also much simpler, as there is already a natural flow system, which can be enhanced to maximize heat extraction.

Depth vs Temperature Model for a Typical Thermally Anomalous Granite Body

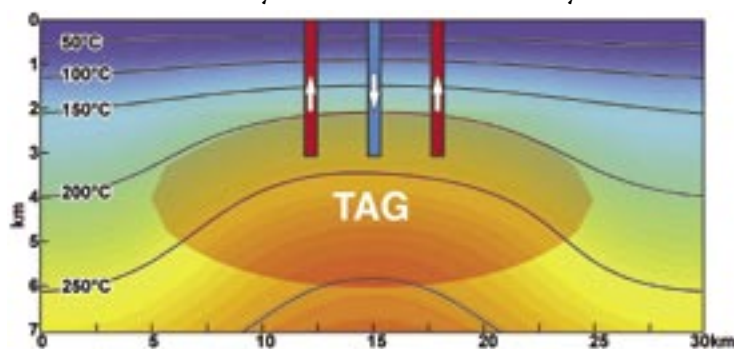


Figure 12

Depth vs Temperature Model for a Typical Radiogenic Iron Oxide Body

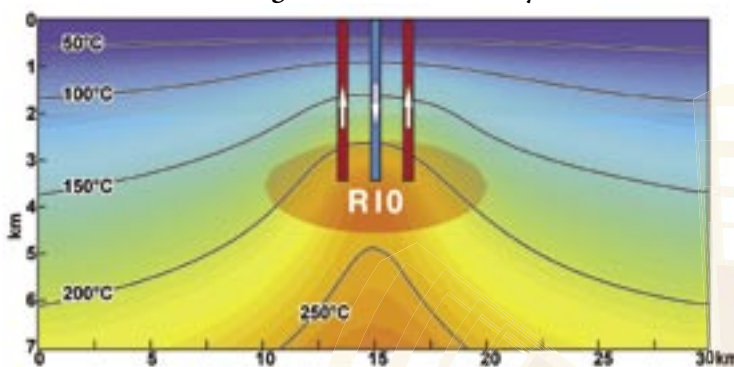


Figure 13

7.6 Petratherm Exploration Program

To minimise risk, Petratherm has devised a tiered exploration approach that allows rapid and cost-effective thermal resource evaluation. The work program is broken down into 4 stages based on the two key ingredients, these being:

1. Identifying source(s) of anomalous heat generation that are of sufficient scale to elevate the regional geothermal gradient, coupled with the presence of an effective thermal blanket that retains the generated heat.
2. Optimising the circulation system that allows a fluid to pass through the hot rock in order to extract the subsurface heat.

These two key ingredients are then combined with existing heat exchanger technology to generate electricity. A critical part of the strategy outlined in *Figure 14* is the drilling program design, which reduces risk as the capital investment increases. Stage 1 outcomes will be used to target shallow, approximately 750 metres, test wells. The comparatively small scale of stage 2 test wells will allow multiple targets to be evaluated and will lead to the key decision point in a project's life. This will ensure that thermal models are tested against a number of actual field sites and the deeper (approximately 3 to 3.5 kilometres) and capital-intensive stage 3 thermal evaluation well is selected from a well-defined database. Stage 4 optimal resource circulation test will accurately quantify the resource, providing a measurable cost for power generation.



**University of Adelaide Research Team,
from L to R: Dr Scott Mildren , Dr Martin Hand
and Prof Richard Hillis**

Work Program Flow Chart

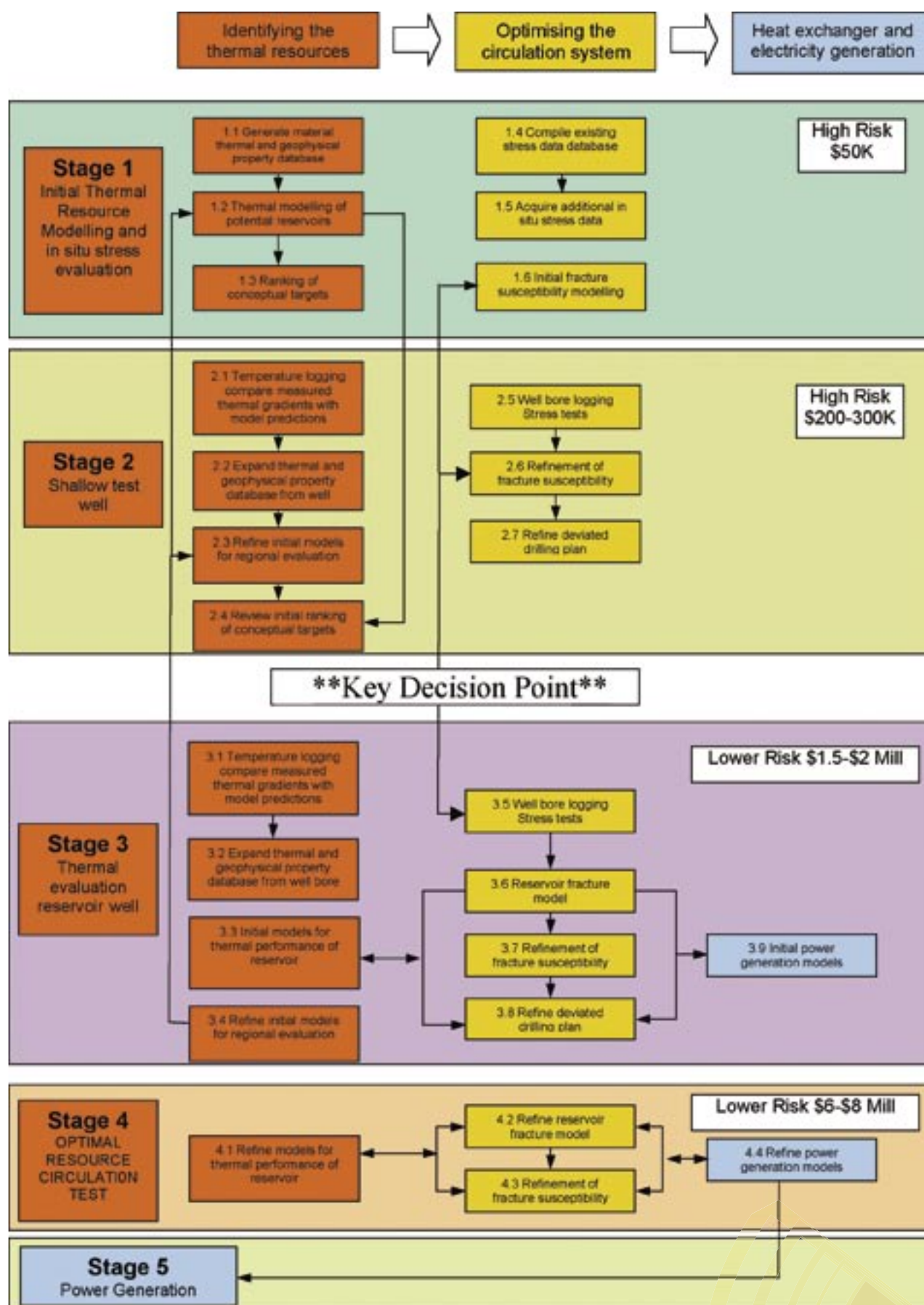


Figure 14

STAGE 1 Initial Thermal Resource Modelling and Stress Evaluation

Potential of areas selected is based on geological and geophysical characterisation of geothermal systems (TAG and RIO) coupled with theoretical thermal modelling and stress analysis studies. This has already been completed for the three Tenements held by Petratherm.

The aims of *Stage 1* are to:

1. Evaluate the likelihood of finding suitable targets at a depth of less than 3.5 kilometres to reduce exploration and development costs;
2. Develop preliminary in situ stress models to underpin the fracture susceptibility models which characterise the underground heat exchanger; and
3. Rank targets.

Each area selection is made considering economic constraints such as proximity to potential electricity markets.

STAGE 2 Shallow Test Well

Significant thermal resources can be tested remotely by identifying the geothermal gradient above them. This is done with a cost-effective slim-line drill hole using a conventional minerals rig to approximately 750 metres depth. *Figure 15* demonstrates the relationship between depth and temperature. The level of thermal anomalism can be measured well above a potential resource and the temperature at depth can be calculated using the geothermal gradient observed.

Depth vs. Temperature Graph – Testing for Thermal Anomalism

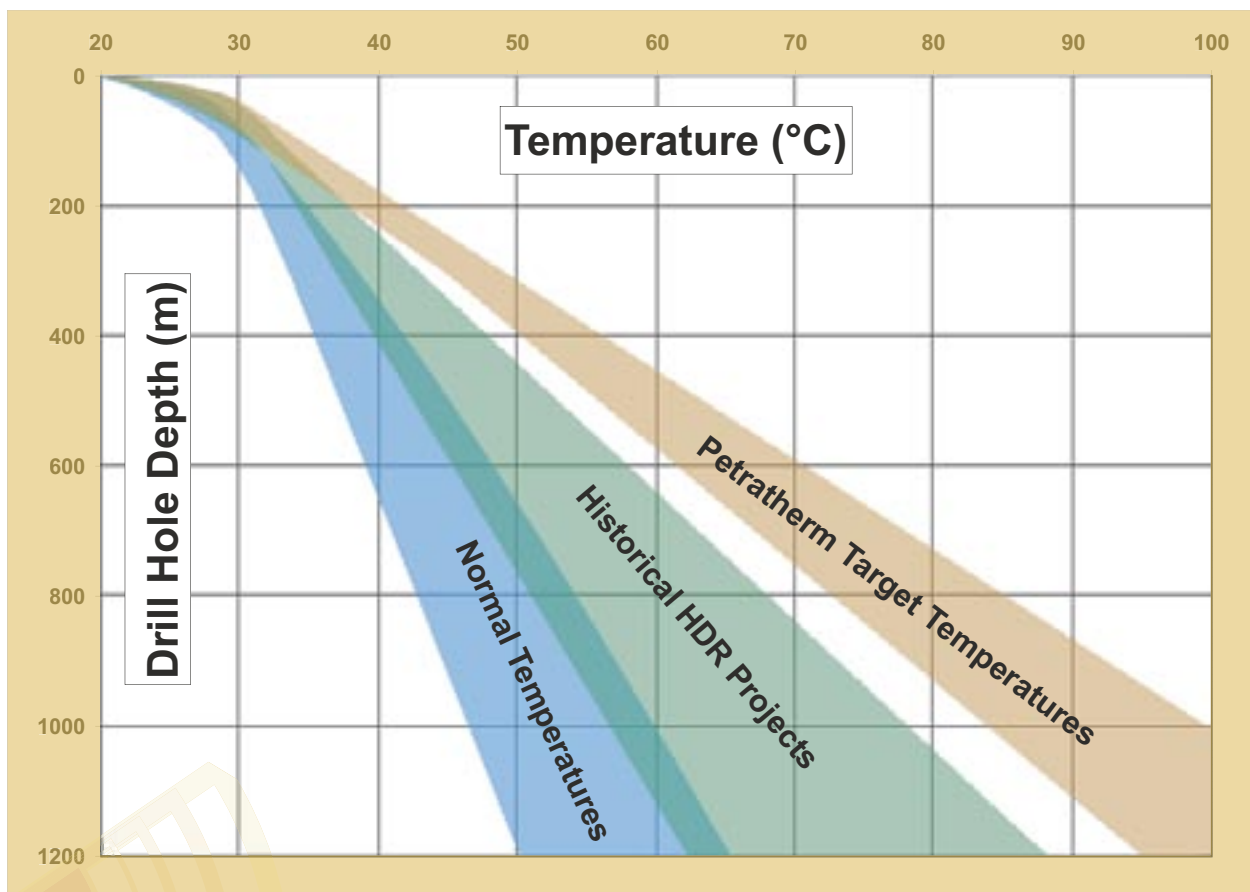


Figure 15

The shallow test well should be sufficient to evaluate the geothermal gradient, measure down hole rock thermal properties and undertake well bore logging for stress analysis enabling modelling of the reservoir potential.

The key decision point in a project's life occurs at the end of *Stage 2*. If a significant geothermal resource has been identified the project will move to *Stage 3*. Until this point exploration can be considered relatively high risk, but costs are relatively low allowing for many targets to be tested and ranked accordingly. *Stages 3 and 4* of a project life are conversely much lower risk but at higher cost.

STAGE 3 Thermal Reservoir Evaluation Well

Once a significant geothermal resource has been identified, the project will enter into the thermal evaluation phase. A pilot hole into the top 150 metres of the thermal resource will be drilled to enable detailed stress and thermal measurements. With this knowledge it will be possible to construct a model from which an optimised development program to maximise heat extraction can be implemented.

Rocks will fracture in accordance to the local stress field and the nature of pre-existing fractures, and the key outcome from this work will be investigating how the heat exchanger will develop in the resource under stimulation. If the model indicates potentially favourable heat exchanger development, the project will move to *Stage 4*.

STAGE 4 Optimal Resource Circulation Test

Stage 4 involves drilling injection and production wells and setting up a fluid circulation cell between them. The result of the optimised circulation test determines how much power can be extracted from the resource, and fundamentally, at what cost.

Historically HR wells have tended to be vertical, however depending on the nature of the resource, this may cause a significant reduction in heat extraction. Data from the evaluation phase will allow for oriented drilling of the injection and production test wells. Oriented wells can maximise the intersection with the natural fracture system within the thermal resource, thus optimising the efficiency of the heat exchanger.



8. Geothermal Exploration Projects

Petratherm's geothermal exploration projects lie within the SAHFA (Figures 11 and 16). Petratherm has obtained geothermal exploration licences (GELs) over areas that it believes are highly prospective for "hot spots" within the already thermally anomalous SAHFA. These 500 square kilometre Tenements

give Petratherm exclusive rights to explore for and develop any geothermal resources they contain. Reference should be made to the Solicitor's Report in Section 13 of this Prospectus for more details on the nature of GELs.

8.1 Mount Painter Projects

The Mount Painter area of the northern Flinders Ranges has numerous outcropping Proterozoic granites which have been measured as having, on average, eight times higher heat production than average granites, with individual granites having up to twenty five times the world-wide average. Petratherm has recognized these granites as having potential to produce geothermal energy under the TAG model and has acquired two geothermal exploration licences covering approximately 1,000 square kilometres in the Mount Painter region.

Location of Petratherm's Geothermal Exploration Licence Areas

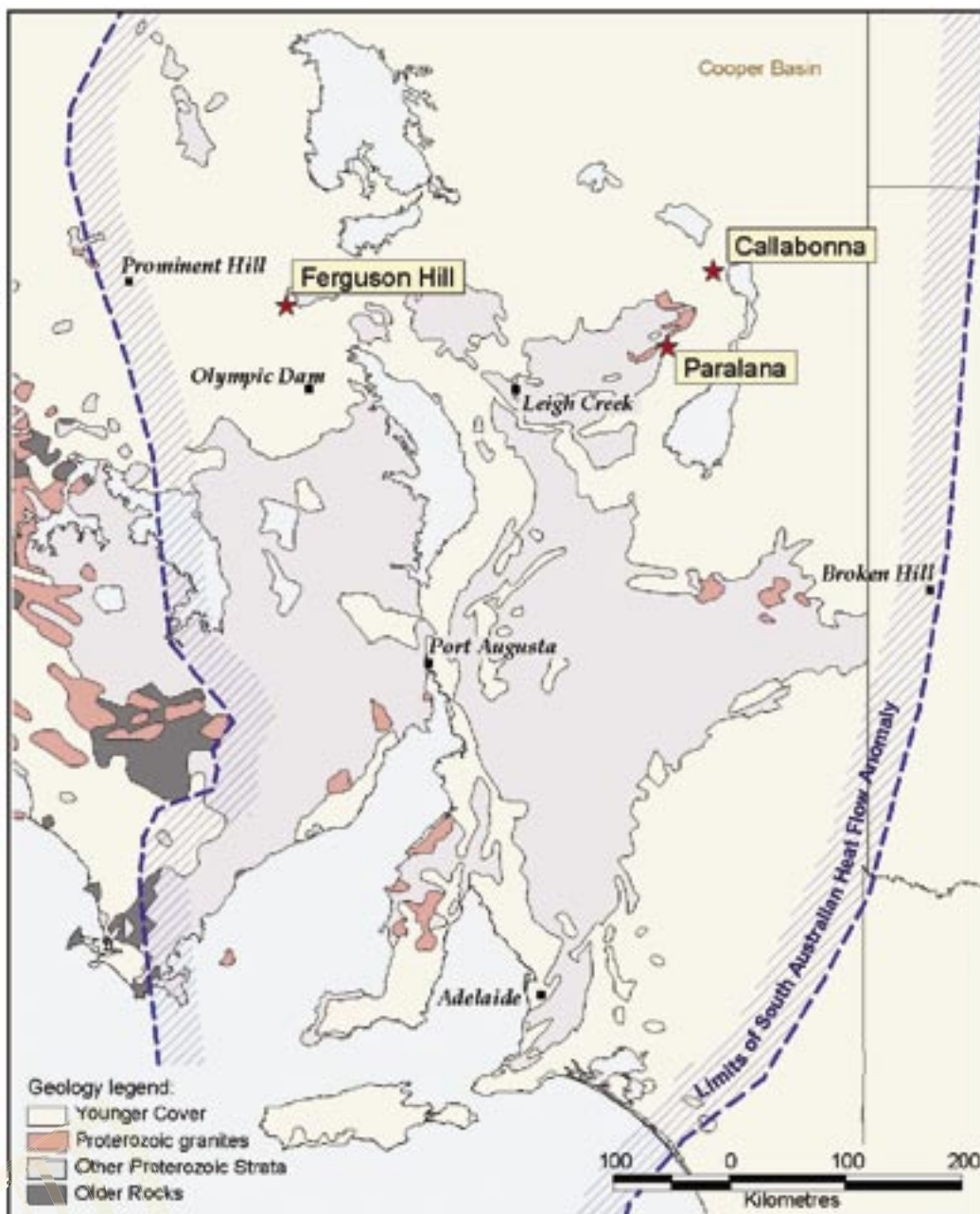


Figure 16

Mt Painter Project Licence Areas

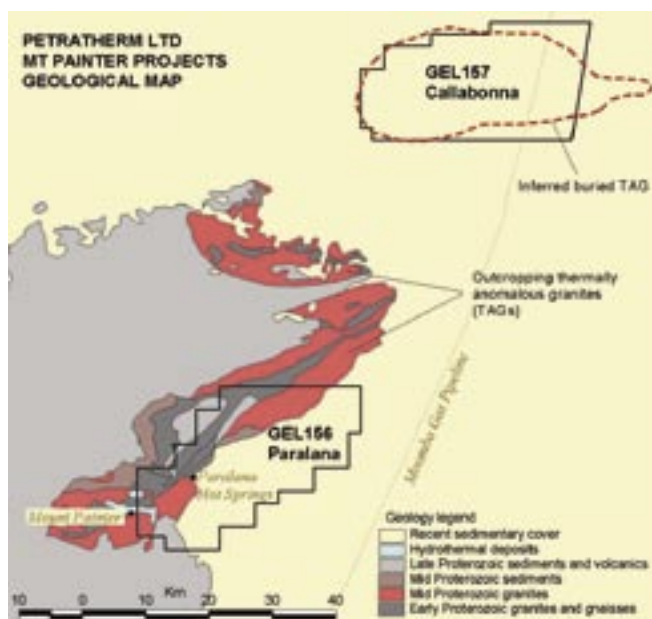


Figure 17

8.1.1 Callabonna (GEL157)

Approximately 40 kilometres northeast of the thermally anomalous Mt Painter granites is a large well-defined ovoid gravity feature interpreted to represent a large TAG body under younger cover sediment. A first vertical derivative gravity image illustrated in *Figure 18* highlights the extent of the interpreted granite body informally termed here the Callabonna Granite Batholith (CGB). The figure also demonstrates a similar gravity response to the known outcropping granites in the Mt Painter area, indicating the body may be part of the same suite of TAGs.

GEL 157 Callabonna covers a 500 square kilometre area spanning the most prospective central portion of the CGB. The surficial geology is dominated by expansive gibber plains and sandy soils.

The deepest historical borehole over the northern edge of the CGB ended at 519 metres in geologically younger cover (Cretaceous aged) sediment. Interpretation of shallow seismic line along the western margin of the CGB undertaken by the PIRSA suggests Permian Cooper Basin sediments may lie below the Cretaceous units. The Permian strata often contain coal beds, which are excellent heat insulators. Detailed depth modelling studies of the aeromagnetic data over the CGB indicate burial depths ranging 2.2 to 2.7 kilometres.

Average temperature of this granite, assuming similar chemistry to the Mt Painter TAGs, is modelled to be in the range of 230-260° C at 3 to 3.5 kilometres.

Gravity Image – Mt Painter and Callabonna

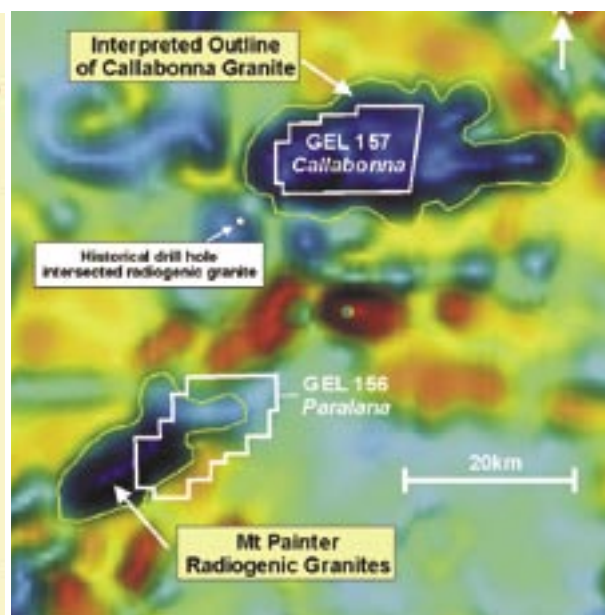


Figure 18

Thermal modelling studies indicate a potentially massive resource. The granite theoretically has enough stored heat, which if converted to electricity, could supply all of Australia's electricity needs at its current rate for next 150 years.

Work Program

Work will initially comprise an infill ground gravity survey to define the limits of the CGB. The thermal anomalism will be tested with a shallow slim-line hole to approximately 750 metres over the centre of the CGB body. If results of this test work are encouraging the project will move into the resource evaluation phase.

8.1.2 Paralana (GEL 156)

Paralana covers a 500 square kilometre area, incorporating the eastern margin of the thermally anomalous Mt Painter granites (*Figure 17*). Interpretation of the aeromagnetic and gravity data indicates the granites continue beneath the sediment covered portions of the licence to the east. The Paralana Hot Springs occur along a major fault along the eastern margin of the ranges in the licence area. Surface water temperatures at Paralana have been measured at 62° C. The springs have only low flow rates (i.e. plenty of time to cool) and there is evidence of near surface mixing with cool surficial ground waters. It is postulated therefore that the water temperature could be significantly higher at relatively shallow depths.

Some of the Mt Painter TAGs produce as much as twenty five times the heat of normal granite.

Gas Bubbles – Paralana Hot Springs

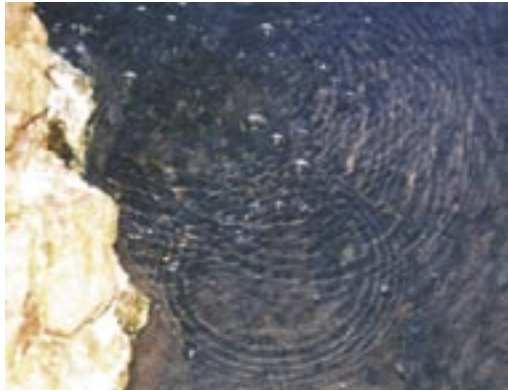


Figure 19

Modelling indicates these extreme heat production rates require significantly less cover strata than traditional targets to reach temperatures in excess of 200°C. It is postulated therefore that hot springs are being driven by a heat cell powered by a TAG.

Whilst Paralana has potential for TAG energy production, interpretation of the aeromagnetic data highlights several faults that may focus natural hot water flows (Figure 20). Enhanced natural thermal systems (ENTS) are economically attractive as there is an existing hot fluid flow that can be further enhanced. ENTS can be improved through further well stimulation to maximize heat extraction and therefore increase power generation.

Work Program

As Paralana has potential for an ENTS at relatively shallow depths, initial work will focus on testing this concept. Magneto-telluric studies may be used to identify sub-surface hot spots. Isotopic studies on hot springs water will aid identifying depth and source of these waters. This will be followed up with a series of shallow (less than 500 metres) geothermal exploration wells into favourable targets.

8.2 Stuart Shelf Project

Along the eastern margin of the Gawler Craton, in the vicinity of the giant Olympic Dam copper-gold ore body, are several areas of highly altered rock representing RIO complexes. The RIO alteration systems were formed during a major period of volcanism approximately 1590 million years ago.

This area is now blanketed by flat-lying, younger strata, deposited in an ancient sea which mantled the

Paralana (ENTS) Targets occur along Major Faults

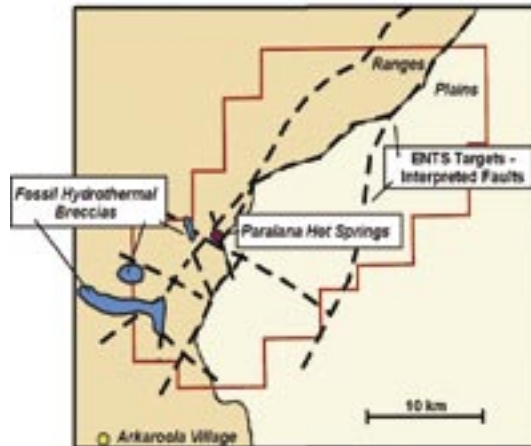


Figure 20

eastern margin of the Gawler Craton. The flat-lying strata, termed the Stuart Shelf sediments, range in age from 800 million years to 520 million years. The strata act as the thermal blanket to the RIO heat resource. Petratherm's modelling suggests that in this case in excess of 2.5 kilometres of cover strata is needed with rocks of the right composition to ensure significant heat retention.

8.2.1 Ferguson Hill (GEL158)

Stuart Shelf sediments cover a major gravity and aeromagnetic feature, interpreted to represent a large RIO body, at Ferguson Hill approximately 70 kilometres north of Olympic Dam (Figure 21). Its location makes it ideally suited to provide power to Olympic Dam, the town of Roxby Downs, and to the Prominent Hill copper-gold project. It is projected that these facilities will consume between 1.3 million and 1.8 million MWh of electricity per annum, representing the output of a 150-180 MWe generating plant. It is envisaged that excess power could be transmitted via the existing grid network at Roxby Downs.

A single historical mineral exploration test hole to 1500 metres near the Ferguson Hill Prospect did not reach the top of the interpreted RIO body. The overlying strata intersected in the drill hole comprised younger flat-lying siltstone and shale. The shales are fine-grained and organic-rich, making them an ideal thermal insulator. No thermal measurements are available.

Geophysical modelling of the Ferguson Hill body indicates depth to top of the modelled resource is approximately two kilometres. The gravity response (Figure 22) defines the outer limits of the large RIO



Ferguson Hill Locality Map



Figure 21

body, which is approximately 120 square kilometres. The interpreted highly radiogenic core to the RIO body, based on existing defined systems (i.e. Olympic Dam and Prominent Hill ore bodies), indicates the vertical thickness of body is likely to be in the order of 1.5 to 3.0 kilometres.

Figure 22 highlights the geophysical characteristics of the Ferguson Hill target. As with Prominent Hill, the magnetic portion of the target is slightly displaced from the densest portion (gravity data). This is typical of a highly prospective RIO alteration system. In RIO systems it is the non-magnetic (haematite) portion of the body that contains the highest concentrations of heat producing elements.

Gravity and Magnetic Images of the Ferguson Hill RIO Body

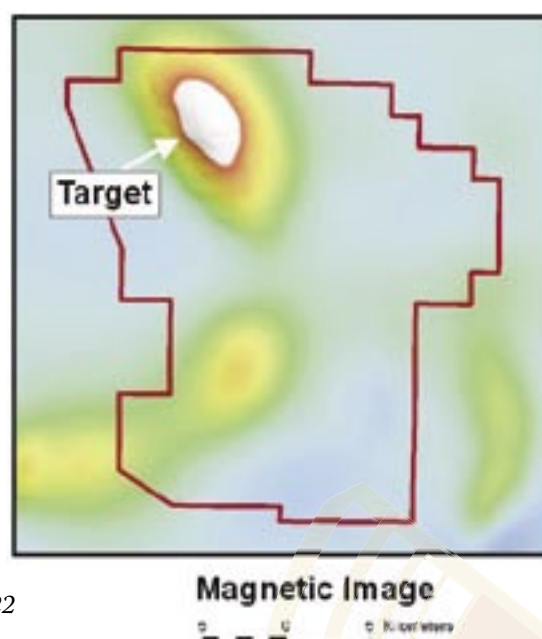
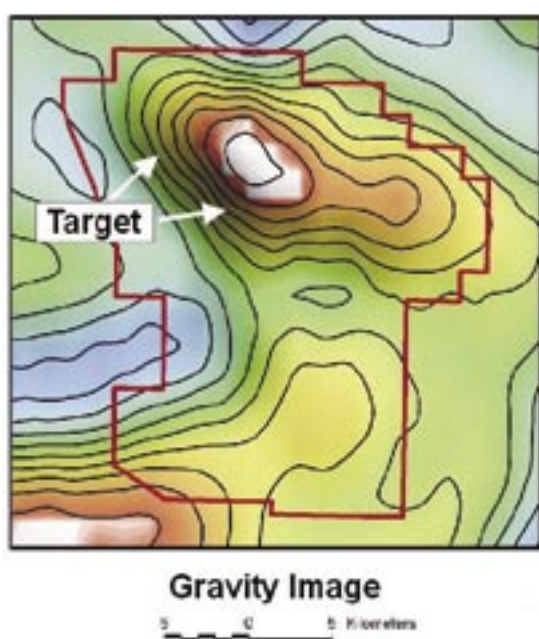


Figure 22

Work Program

Initial work will comprise an infill ground gravity survey to define the limits of the Ferguson Hill RIO body. The next step will be to test for thermal anomalism. Whilst RIOs are much hotter than conventional TAGs they are much smaller in area hence their thermal footprint is much smaller. This means a shallow slim-line hole will need to be drilled closer to the top of the thermal resource to determine its potential. An 800 metre hole over the centre of the body will sufficiently test the thermal resource. If results of this test work are encouraging the project will move into the resource evaluation phase.

8.3 Proposed Budgets

Initial exploration will concentrate on the three project areas with exploration activities essentially those of Stages 2 and 3 as described in Section 7.6 of this Prospectus. If the Issue is fully subscribed, further work will be done in defining additional areas which may develop into economically competitive geothermal areas.

Should the Company be successful in receiving a R & D Start Grant of up to \$4,000,000 or successfully negotiate a joint venture with an appropriate partner, exploration will enter Stage 4 which will involve the drilling of injection and production wells, fracturing, water injection and pump tests, and the development of a water circulation system between the holes. This work will commence in the second year and take up to the end of the third year to complete.

Maximum Subscription

Summary of programs and budgeted expenditure assuming the Issue is fully subscribed.

STAGE	BUDGETED ACTIVITY	YEAR 1	YEAR 2	TOTAL
STAGE 1	Project Generation	-	150,000	150,000
STAGE 2	Callabonna			
	Geophysical Surveys	50,000	-	50,000
	Modelling and Interpretation	50,000	-	50,000
	Thermal Anomalism Test	200,000	-	200,000
	Paralana			
	Geophysical Surveys	100,000	-	100,000
	Modelling and Interpretation	50,000	-	50,000
	Shallow ENTS Drilling	150,000	-	150,000
	Ferguson Hill			
	Geophysical Surveys	50,000	-	50,000
	Modelling and Interpretation	50,000	-	50,000
	Thermal Anomalism Test	150,000	-	150,000
	New Projects			
	Geophysical Surveys	-	200,000	200,000
	Modelling and Interpretation	-	100,000	100,000
	Thermal Anomalism Test	-	400,000	400,000
STAGE 3	One of the above			
	Evaluation Well	700,000	700,000	1,400,000
	Reservoir Circulation Modelling	-	650,000	650,000
	TOTAL EXPLORATION	1,550,000	2,200,000	3,750,000
STAGE 4	Injection and Production Well	-	-	-
	Fracturing, Water Injection,			
	Pumping Tests	-	-	-
	Modelling and Interpretation	-	-	-
	TOTAL DEVELOPMENT	-	-	-
	Cost of Issue	525,000	-	525,000
	Corporate Administration,			
	Legal, Accounting	475,000	475,000	950,000
	TOTAL ISSUE/CORPORATE			
	ADMINISTRATION	1,000,000	475,000	1,475,000
	UNALLOCATED FUNDS		775,000	775,000
	TOTAL BUDGET	2,550,000	3,450,000	6,000,000

Minimum Subscription

With minimum subscription, no new projects will be evaluated at the stage 2 level. In addition the stage 3 reservoir evaluation program will be reduced in scope.

STAGE	BUDGETED ACTIVITY	YEAR 1	YEAR 2	TOTAL
<i>STAGE 1</i>				
	Project Generation	-	100,000	100,000
<i>STAGE 2</i>				
	Callabonna			
	Geophysical Surveys	50,000	-	50,000
	Modelling and Interpretation	50,000	-	50,000
	Thermal Anomalism Test	200,000	-	200,000
	Paralana			
	Geophysical Surveys	100,000	-	100,000
	Modelling and Interpretation	50,000	-	50,000
	Shallow ENTS Drilling	150,000	-	150,000
	Ferguson Hill			
	Geophysical Surveys	50,000	-	50,000
	Modelling and Interpretation	50,000	-	50,000
	Thermal Anomalism Test	150,000	-	150,000
<i>STAGE 3</i>				
	One of the above			
	Evaluation Well	700,000	700,000	1,400,000
	Reservoir Circulation Modelling (Reduced program)	-	275,000	275,000
	TOTAL EXPLORATION	1,550,000	1,075,000	2,625,000
<i>STAGE 4</i>				
	Injection and Production Well	-	-	-
	Fracturing, Water Injection, Pumping Tests	-	-	-
	Modelling and Interpretation	-	-	-
	TOTAL DEVELOPMENT	-	-	-
	Cost of Issue	425,000	-	425,000
	Corporate Administration, Legal, Accounting	475,000	475,000	950,000
	TOTAL ISSUE/CORPORATE ADMINISTRATION	900,000	475,000	1,375,000
	UNALLOCATED FUNDS		-	-
	TOTAL BUDGET	2,450,000	1,550,000	4,000,000

9. Glossary Of Technical Terms and Abbreviations

Aeromagnetic survey Airborne survey systematically collecting readings of the earth's magnetic field.

Anomaly A value higher or lower than the norm or a feature different in character from the data in general.

Basement Term referring generally to Precambrian igneous and metamorphic rocks. Oldest rocks in an area.

Biomass Mass of organisms.

Borehole Drill hole.

Carbon dioxide Molecule of carbon and oxygen.

Closed loop Continuous or "circular" process with no exit point.

CO₂e Carbon dioxide equivalent.

Craton A part of the earth's crust that has been generally stable for at least 1000 million years.

Cretaceous A time period, approximately 60 to 130 million years ago.

Crust Upper part of the lithosphere, divided into oceanic crust and continental crust.

Diamond drilling Rotary drilling using diamond impregnated bits to produce a core sample.

Emissions Waste products, usually gaseous.

ENTS Enhanced natural thermal system.

Fault A line of fracturing due to movement in a rock sequence.

Feldspar (orthoclase, plagioclase)

Common rock-forming mineral, sodium/potassium (orthoclase) and sodium/calcium (plagioclase) silicates.

Fossil fuel Coal and petroleum products.

Geothermal Temperatures within the earth.

Geothermal Exploration Licence (GEL)

An area granted by the appropriate statutory authority in respect to exploration for geothermal energy sources.

Gneiss A metamorphic rock with compositional banding.

Granite Coarse grained intrusive igneous rock containing quartz and more alkali feldspar than plagioclase.

Granitoid A general term for coarse grained rocks containing quartz and feldspar.

Gravity survey Measurement of earth's gravitational pull.

Greenhouse (effect) Warming that results when solar radiation is trapped by the atmosphere.

Hydraulic Relating to fluid.

Igneous Formed by the solidification of molten rock.

<i>Isotope</i>	Element with same number of protons but differing number of neutrons.
<i>Lineament</i>	A linear feature (topographic, magnetic, gravity) of regional extent that is believed to reflect the earth's crustal structure.
<i>Lithology (ies)</i>	The physical character of a rock.
<i>Magma (magmatic)</i>	Molten rock, containing dissolved gases and suspended solid particles.
<i>Magnetic survey</i>	Systematic survey of readings of the earth's magnetic field.
<i>Magnetite</i>	Magnetic iron mineral.
<i>Magneto-telluric</i>	Geophysical survey using electromagnetic waves to provide information about the conductivity of the earth's crust.
<i>mWm⁻²</i>	Milliwatts per square metre.
<i>MWe</i>	Megawatt of electricity.
<i>MWh</i>	Megawatt of electricity produced or consumed over 1 hour.
<i>NEM</i>	National Electricity Market.
<i>Outcrop</i>	The part of a rock formation that is insitu at surface — may be covered.
<i>Oxide</i>	A rock containing compounds of oxygen.
<i>Permian</i>	A time period, approximately 250 to 295 million years ago.
<i>Phosphate</i>	A compound containing PO ₄ ⁻³ (phosphorous and oxygen).
<i>Proterozoic</i>	A time period, approximately 570 to 2400 million years ago.
<i>Quartzite</i>	A metamorphosed sandy rock.
<i>Quaternary</i>	A time period, approximately 0 to 2 million years ago.
<i>Radiogenic</i>	Formed as a consequence of radioactive decay.
<i>REC</i>	Renewable energy certificate.
<i>RIO</i>	Radiogenic Iron Oxide system.
<i>Sedimentary</i>	Rocks formed by the consolidation of sediment settled out of water, ice or air, either on dry land or under water.
<i>Shale</i>	A fine-grained layered sedimentary rock.
<i>Shear</i>	A planar zone of deformed rock formed by the translation of one part of the body relative to another part.
<i>Siltstone</i>	Fine -grained sedimentary rock principally composed of silt-grade material.
<i>Slate</i>	Metamorphosed shale.
<i>Superheated</i>	Heated beyond that necessary to complete a phase change, such as from liquid to vapour.
<i>TAG</i>	Thermally anomalous granite.

10. Risks of Investing

10.1 Introduction

While Petratherm will be subject to normal business risks as outlined in this Prospectus, the immediate risks are associated with the accuracy of geophysical and geological modelling to provide estimations as to the actual source of the various features under examination, their depth of burial and their content of naturally occurring radiogenic material. This, together with the insulating properties of the overlying sediments, will determine the temperature of the hot rock source. In addition, risk is associated with the ability of stress and fracture modelling to provide accurate estimates of the ultimate fracture patterns that will result from the hydraulic fracturing process. This, in turn, will determine Petratherm's ability to develop a heat exchange process for the development of geothermal energy.

The Shares offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. While the Directors commend the Offer, potential investors should consider whether the Shares offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. This list is not exhaustive and potential investors should read this Prospectus in its entirety and, if in any doubt, consult their professional adviser before deciding whether to participate in the Offer.

10.2 General Risks

10.2.1 Share Market

Share market conditions may affect listed securities regardless of operating performance. Share market conditions are affected by many factors such as:

- a. general economic outlook;
- b. movements in, or outlook on, interest rates and inflation rates;
- c. currency fluctuations;
- d. commodity prices;
- e. changes in investor sentiment towards particular market sectors; and
- f. the demand for, and supply of, capital.

Investors should recognise that once the Shares

are listed on ASX, the price of the Shares may fall as well as rise. Many factors will affect the price of the Shares including local and international stock markets, movements in commodity prices, interest rates, economic conditions and investor sentiment generally.

10.2.2 Economic Factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. The Company's future possible revenues and Share price can be affected by these factors which are beyond the control of the Company and its Directors.

10.2.3 Government

Changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and the returns to investors.

10.3 Exploration & Development

A significant risk for the Company is that the proposed exploration programs will not result in exploration success. Exploration of this type, by its nature, is a high-risk endeavour and consequently there can be no assurance that exploration of the project areas described in this Prospectus, or any other projects that may be acquired in the future, will result in a discovery of rocks with the characteristics required to result successfully in the economic generation of power. Should a discovery be made, there is no guarantee that it will be commercially viable. While the Directors will make every effort to reduce these risks, through their experience in the exploration and oil/gas and hot rock industry, the fact remains that a commercially viable discovery is very much the exception rather than the rule and success can never be guaranteed.

Hot rock exploration, project development and energy production by their nature contain elements of significant risk. The success of these activities is dependent on many factors including:

- a. the discovery and/or acquisition of economically recoverable renewable energy reserves;
- b. successful conclusions to bankable feasibility studies;

- c. access to adequate capital for project development;
- d. design and construction of efficient heat exchanger and surface infrastructure within budgets;
- e. securing and maintaining title to tenements;
- f. obtaining consents and approvals necessary for the conduct of exploration and energy production;
- g. access to competent operational management and prudent financial administration;
- h. availability and reliability of appropriately skilled and experienced employees;
- i. cost and/or time overruns in relation to drilling;
- j. technical problems with drilling;
- k. adverse weather conditions over a prolonged period;
- l. equipment failures and other accidents.

Whether or not income will result from development of the Tenements depends on the successful establishment of hot rock energy production. Factors including costs, depth to basement, consistency and reliability of hot rocks and energy prices affect successful project development and heat extraction operations.

10.4 Native Title Risk

The Company's geothermal exploration licences ("GEL") have been granted on the basis that the relevant native title legislation does not apply. The native title implications of the grant of the GELs have not been considered by any Court. There is a risk that the grant of the GELs may be challenged or ultimately held to be invalid as to native title.

10.5 Aboriginal Significant Sites

Commonwealth and State Legislation obliges the Company to identify and protect sites of significance to Aboriginal custom and tradition. Further details of this legislation are set out in the Solicitors' Report in Section 13 of this Prospectus. Some sites of significance may be identified within the Company's tenements. It is therefore possible that one or more sites of significance will exist in an area which the Company considers to be prospective. The Company's policy is to carry out clearance surveys prior to conducting exploration which would cause a disturbance to the land surface.

10.6 Environmental Risks

The petroleum and energy industries have become subject to increasing environmental responsibility and liability. The potential for liability is an ever-present risk.

Exploration work will be carried out in a way that causes minimum impact on the environment. Consistent with this, it may be necessary in some cases to undertake baseline environmental studies prior to certain exploration or drilling activities, so that environmental impact can be monitored, and as far as possible, minimised. While the Company is not aware of any endangered species of fauna and flora within any of its project areas, no baseline environmental studies have been undertaken to date, and discovery of such could prevent further work in certain areas.

10.7 No Valuation

No formal valuation has been completed of the hot rock projects or the Shares of the Company. The Company makes no representation as to the value of the hot rock assets. It is recommended that intending investors and their advisors should make their own assessment as to the value of the exploration projects.

10.8 No Operating History

The Company has no history of exploring for geothermal energy, developing or extracting hot dry rock geothermal energy or operating geothermal energy plants.

10.9 Regulatory Risk

The Company's activities will require compliance with various laws, both State and Commonwealth, relating to the protection of the environment and Aboriginal culture and heritage and native title. In particular, the Company will be relying upon financial incentives provided under the Renewable Energy (Electricity) Act 2000 (C'th). The introduction of new legislation, amendments to existing legislation, changes in government policy or interpretation of existing laws could have a material adverse effect on the Company.

10.10 New Licences

The Company will have to obtain retention licences and production licences to extract or release geothermal energy. Native title legislation could apply to the grant of these licences and require the Company to follow the right to negotiate procedure before such tenements could be validly granted.

10.11 Electricity Market

The ability of the Company to successfully enter the commercialisation phase of its activities will depend upon its ability to sell the electricity on commercial terms and prices. There can be no assurance that the Company will ultimately be able to sell the electricity it produces on commercial terms. Electricity is a traded commodity in Australia and its long term price may rise or fall. The royalty requirements of the South Australian Government for a producing geothermal power station have not yet been determined. These requirements may have a material adverse effect on the Company.

10.12 Renewable Energy Certificates

The future value of renewable energy certificates depends in part on government policy and on the commercial outlook for participants in the electricity industry. The future price of renewable energy certificates may rise or fall depending upon the availability of qualifying electricity from other renewable sources and on demand for the certificates from electricity retailers. There can be no assurance that the Company will be able to obtain an adequate price for renewable energy certificates.

10.13 Future Financing

The Company will be required to raise additional equity and/or debt capital to finance its commercialisation activities. There can be no assurance that the Company will be able to raise that finance on acceptable terms or in a timely manner.

10.14 Competition

There is always the risk of competition both in relation to extraction of geothermal energy and to the creation of electricity from other renewable energy sources such as wind, hydro or solar power. Competition may have a material adverse effect on the Company.

10.15 Other Risks

While Petratherm will be subject to normal business risks as outlined in this Prospectus, the immediate risks are associated with the accuracy of geophysical and geological modelling to provide estimations as to the actual source of the various features under examination, their depth of burial and their content of naturally occurring radiogenic material. This, together with the insulating properties of the overlying sediments, will determine the temperature of the hot rock source. In addition, risk is associated with the ability of stress modelling to provide accurate estimates of the ultimate fracture patterns that will result from the hydraulic fracturing process. This, in turn, will determine Petratherm's ability to develop a heat exchange process for the development of geothermal energy.

Beyond the exploration and commercialization stages, there is unspecified long term operational risk arising from the fact that the generation of electricity from hot rocks is an industry in its infancy. As a result, there is no long term operating history, or precedent, upon which to base a comprehensive assessment of the risks attached to the maintenance of long term (20 year plus) water re-circulation through a subsurface heat exchanger. It is possible that chemical interaction between circulating water and rocks could lead to alteration impairing the theoretical efficiency of the heat exchange mechanism and/or result in a build up of soluble compounds in re-circulated water, requiring treatment and operational expense beyond that projected in economic modelling.

The Shares offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. While the Directors commend the Offer, potential investors should consider whether the Shares offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out herein. This list is not exhaustive and potential investors should read this Prospectus in its entirety and, if in any doubt, consult their professional adviser before deciding whether to participate in the Offer.



11. Independent Geologist's Report

The Directors
Petratherm Ltd
247 Greenhill Road
Dulwich
South Australia 5065

IAN YOULES - CONSULTING GEOLOGIST

ABN 72 809 062 525

Burgar Road, Middleton, South Australia

P.O.Box 2118, Middleton, S.A. 5213

Ph: 08-85554046

Email: youles@ozemail.com.au

Dear Sirs

Independent Consulting Geologist's Report

This independent report, which you requested, was prepared in relation to the issue by your company, Petratherm Ltd (hereinafter referred to as Petratherm or the Company), of a prospectus dated on or about 11 May 2004, for the issue of shares. The sole and restricted purpose of this report is for reference in the context of the forthcoming prospectus and it should not be relied upon for any other purpose. In particular, I express no opinion as to whether any investment in the shares of Petratherm is fair or warranted and make no recommendations in relation to such investment. References in this report to the Company are references to Petratherm Ltd or any relevant subsidiary of that Company.

Methodology

You commissioned me to assess the tenement geological information contained in the Prospectus of Petratherm Ltd. My report was prepared independently and in keeping with the relevant provisions of the Valmin Code of The Australian Institute of Mining and Metallurgy.

None of the three areas were visited specifically for this report. Two of the project areas show no surface expression of subsurface basement geology. The third is part of the Mount Painter project area, which I know from previous work.

I have not searched any titles and reference should be made to the Legal Report on Tenements in Section 13, Solicitor's Report on Tenements, of the prospectus for the details and status of the tenements.

This geological assessment of the Petratherm tenements was based on geological information provided by Petratherm and other relevant published and unpublished data. Discussions were also held with Petratherm's executive management team. By making reasonable enquiries, I endeavoured to confirm the authenticity and completeness of the geological data used in the preparation of this report and to ensure access to all relevant geological and other information.

Summary of Conclusions.

Overall I am satisfied that the information contained in the Prospectus is an appropriate summary of the geological information relevant to the geothermal prospectivity of Petratherm's tenements. Research recognized that high concentrations of naturally occurring radiogenic minerals within granitic rocks would be anomalously high geothermal energy sources at shallower depths within the global pattern of increasing temperature with depth. In addition, investigations examined the occurrence and distribution of these granitic rocks and their depth of burial, including insulating properties of cover rocks, and established criteria for exploration and assessment of suitable targets at economic depths.

As stated in the Prospectus "the initial aim is to locate hot rocks at temperatures in excess of 220° C and at a depth less than 3.5 kilometres". In South Australia the most suitable rocks contain anomalously high quantities of naturally occurring radiogenic minerals, which occur typically in granitic rocks or extensive alteration systems. These would occur beneath a thermal insulating cover, for which shale or coal would be ideal, greater than three kilometres thick to reduce dissipation of the heat generated. The two models described by Petratherm, Thermally Anomalous Granite (TAG) and Radiogenic Iron Oxide (RIO) represent valid exploration targets; under rare circumstances, the Enhanced Natural Thermal System (ENTS) identified by Petratherm may enhance these targets.

In South Australia, anomalously high concentrations of radiogenic minerals occur in extensive Proterozoic alteration systems, such as those associated with the major mineral developments at Olympic Dam, Moonta-Wallaroo and Prominent Hill and in high heat-producing Proterozoic granitic rocks in the Roxby

Downs and Mount Painter regions (*Figures 1 and 2*). These areas are all 'hot spots' in the informally named South Australian Heat Flow Anomaly (SAHFA, *Figure 1*), within which heat flow, as measured near surface, is around double that for similar crust elsewhere. The SAHFA merges northwards with the Cooper Basin heat flow anomaly within which occur some of Geodynamics Limited's hot rock targets. Petratherm's three project areas lie within the SAHFA and are adjacent to or overlap two of the 'hot spots' and exhibit some of their characteristics.

Rock stress regime, which will determine the attitude of any production wells and specific parameters for well stimulation by fracturing, are unknown within the target areas. In addition, for the purposes of prospect assessment, uniform thermal properties were assumed throughout a target source, whereas in nature substantial variation is likely. Part of the shallow drilling in Stage 2 and thermal evaluation drilling in Stage 3, proposed by Petratherm, should identify the best heat producing zones and determine stress regimes.

Localities and the South Australian Heat Flow Anomaly.

(Derived from Figure 4 in Regional geochemistry and continental heat flow: implications for the origin of the South Australian heat flow anomaly by N. Neumann, M. Sandiford & J. Foden: Earth and Planetary Science Letters 183 (2000) 107-220)

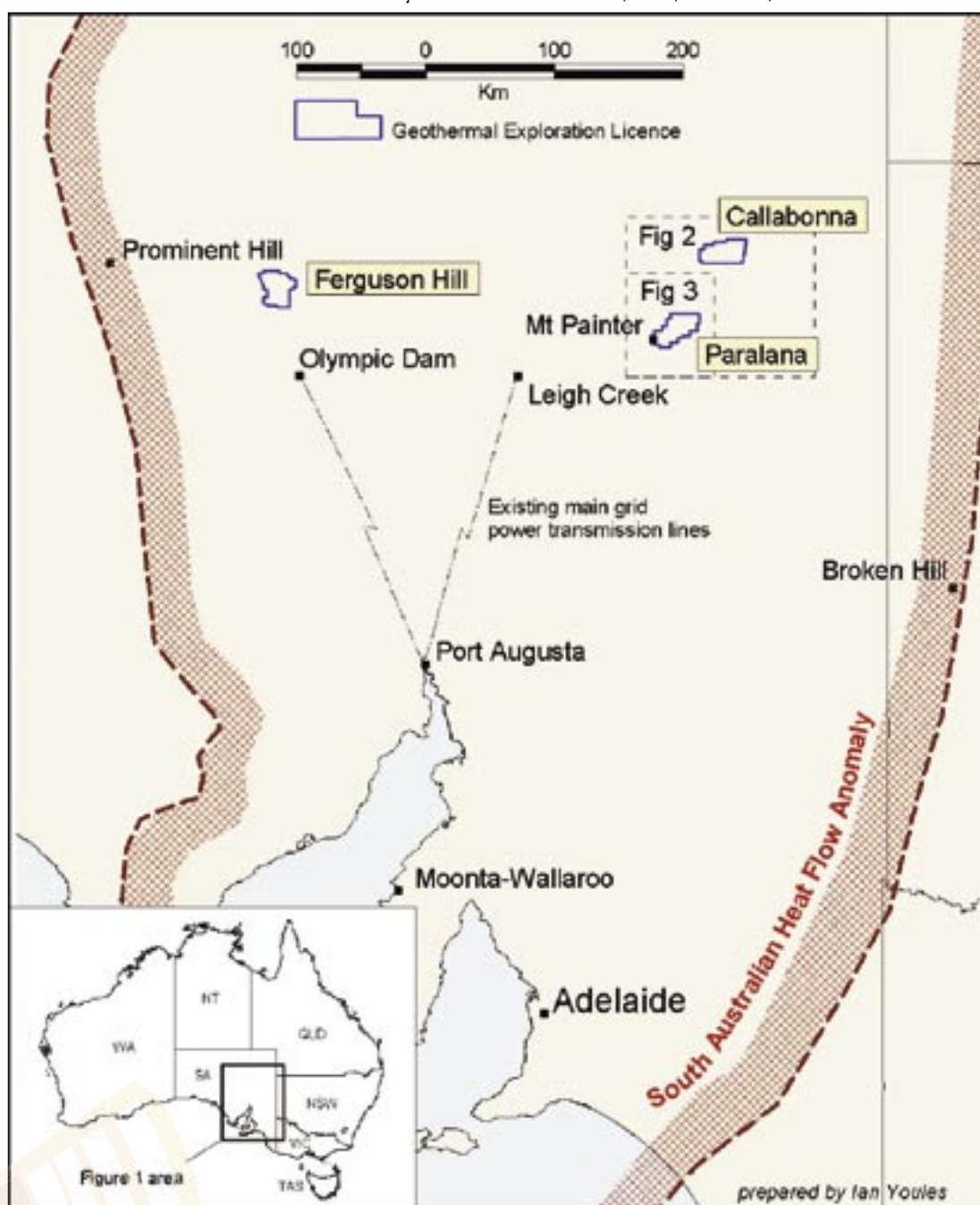


Figure 1

Mount Painter Region

Proterozoic basement rocks in the Mount Painter and Mount Babbage Inliers of the Mount Painter region contain the highest surface heat-producing granites and granitic gneisses in South Australia, as well as other granitic rocks with almost background values including younger Palaeozoic granite intruding Proterozoic basement (*Figure 3*).

In the southern portion of the Mount Painter Inlier, Bouguer gravity data show an intense low trending northeasterly, parallel to the regional trend of the Proterozoic basement rocks and coincident with a concentration of anomalously radiogenic heat producing rocks (*Figures 2 and 3*). As Proterozoic granitic rocks crop out at surface and granites in general occur within gravity lows, granitic rocks probably underlie the intense low and would be prospective for high heat-producing rock types.

Mesozoic aquifers, containing pressure waters of the Great Artesian Basin, occur under cover north and east of the exposed Mount Painter basement. These waters are between 300 metres and 700 metres below surface and at around 40°C. Consequently the heat within them is likely to distort down hole temperature profiles; investigative drill holes, therefore, as proposed by Petratherm during Stage 2 of exploration, would need to extend beyond any possible influence. Early drilling should soon establish the optimum depth extension for drill holes below hot water aquifers.

Callabonna and Paralana tenements, Mount Painter region, showing location of bouguer gravity lows and seismic lines.

(Source data courtesy PIRSA)

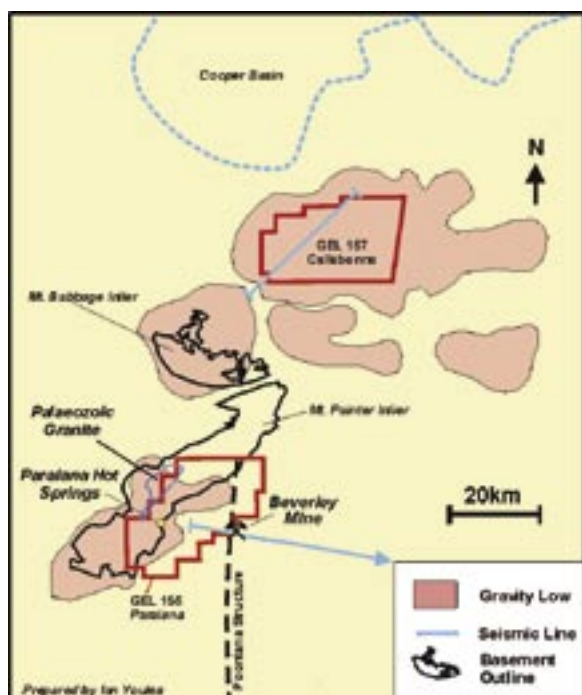


Figure 2

Paralana tenement showing airborne radiometric response from Proterozoic and Palaeozoic rocks, Mount Painter region, northeast Flinders Ranges.

(Source data courtesy PIRSA)

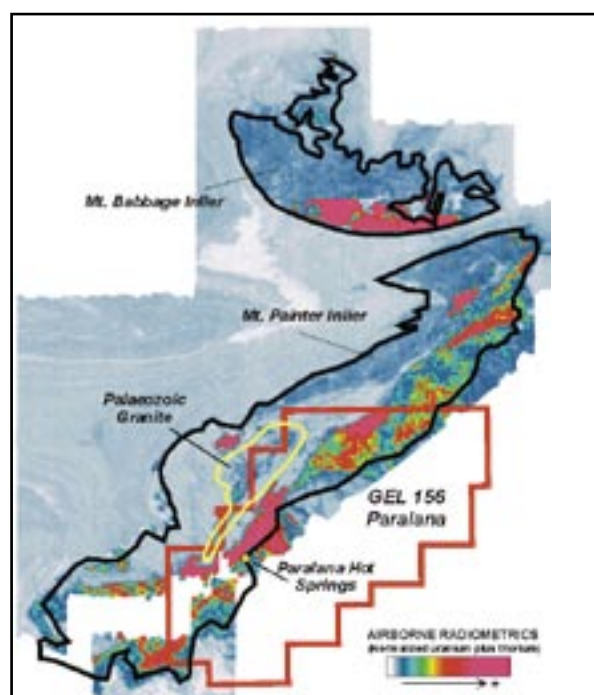


Figure 3

Paralana Project

Petratherm's Paralana tenement straddles the northeastern extension of the Mount Painter gravity low (*Figure 2*). Proterozoic basement rocks crop out in the ranges along the western portion of the tenement and include high heat producing granitic rocks (*Figure 3*). A seismic survey (*Figure 2*) indicates a Cainozoic-Mesozoic sediment cover 100-400 metres thick extending easterly from the ranges over the basement. East of the Poontana Structure (*Figure 2*), this cover exceeds two kilometres of sediment and includes Palaeozoic and Proterozoic sedimentary units. Gravity and aeromagnetic data support a northeasterly extension of the prospective granitic rock units beneath this cover. As at surface, extremely high heat producing rocks may occur within these granitic units.

Many geologists consider that the Paralana Hot Springs (*Figure 2 and 3*), within the tenement, are part of a mineralizing hydrothermal system. Petratherm and others postulate that, with the Hot Springs water around 62°C, a heat cell powered by a TAG drives those waters; consequently, significantly higher water temperatures could exist at relatively shallow depths through ENTS enhancement within adjacent regional faulting along the Poontana Structure (*Figure 2*).

From their chemistry, the Hot Springs waters may be a mixture of Mesozoic pressure water from the Great Artesian Basin and local groundwater. Artesian water, at around 45°C, flows from a bore, drilled to a depth of 302 metres, at the Beverley Mine on the southeastern boundary of the tenement (*Figure 2*). If this mixing occurs, then the +15°C temperature increase of water at the Hot Springs would be from rock at shallow depths and would confirm high heat producing sources within them.

Petratherm's proposed investigations should resolve the origin of the Hot Springs water, the outcome of which would determine whether further work, as proposed by Petratherm, were warranted on the ENTS targets within interpreted faults of the Poontana Structure (*Figure 2*). Whatever the outcome, however, the very existence of the Hot Springs enhances the potential of the gravity low for high heat producing rocks at depth.

As the Paralana tenement includes some of the highest heat producing rocks in South Australia with an intense gravity low indicating granitic rocks at depth, the project merits more detailed investigations of TAG targets, as proposed by Petratherm.

Callabonna Project

Approximately 40 kilometres northeast of the exposed Mount Painter basement rocks and about 10 kilometres from the southwestern extremity of the Cooper Basin, is the large Callabonna gravity low within which the Callabonna tenement is located (*Figure 2*). Through the similarity in definition of the gravity low with that of the Paralana project (*Figure 2*), Petratherm and government organisations CSIRO and Geoscience Australia interpret the anomaly to be caused by a low density, non magnetic body, such as granitic rocks. These may be similar to those that include high heat producing types at Mount Painter.

Interpretation by the Department of Primary Industries and Resources South Australia of high-resolution seismic data across the west-central part of the tenement (*Figure 2*) indicates in excess of 1700 metres (maximum depth interpreted from seismic) of Cainozoic, Mesozoic and Permian and/or Cambrian sediments with no indication of the basement nature. The deepest hole (depth 519 metres) in or adjacent to the tenement intersected Cainozoic and Mesozoic shales and sandstones. Thermal insulators such as shales throughout the sedimentary sequence and if present, coal beds in the Permian sediments (as occur elsewhere in the Cooper Basin) would increase the temperature gradient.

As noted above, exploratory drilling would need to extend beyond any influence of Mesozoic hot water aquifers on the temperature gradient. With an interpreted depth to granitic rock of about 2.5 kilometres, the Callabonna project merits more detailed investigation as proposed by Petratherm.

Stuart Shelf Region

As recognized by Petratherm and researchers including researches of the University of Adelaide, the Olympic Dam RIO type deposit and the surrounding Roxby Downs TAG type granite on the Stuart Shelf are also amongst the highest heat producing systems in South Australia.

On the Stuart Shelf generally, downhole temperature gradients average about 50°C per kilometre depth in shale; however, above or adjacent to the Olympic Dam deposit, the gradient in the equivalent shale (100-200 metres thick) averages over 80°C per kilometre depth, indicating a 60% increase in heat flow. Interpretation is that about two thirds of this heat flow originates from the RIO type ore deposit within 1 kilometre of surface and the remainder from deeper sources; the latter should include extensive alteration within the Roxby Downs granite.

Geological and geophysical criteria to locate similar RIO type mineral deposits, such as in the Prominent Hill copper-gold project, are well established by ongoing exploration over the past 30 years. The added requirement for an RIO geothermal target is a sufficient thickness of insulating cover. The flat-lying Proterozoic/Palaeozoic sediments of the Stuart Shelf, dominantly siltstones and shales, should provide this.

Ferguson Hill Project

Ferguson Hill project, on the Stuart Shelf, covers a well-defined gravity high and adjacent magnetic feature that are similar to those at Olympic Dam and Prominent Hill. The geophysical anomalies were targeted as potential Olympic Dam type deposits in the late 1970s. Mineral exploration drilling then intersected 1500 metres of cover sediments, mostly sandstone, siltstone and shale; basement was not reached. This sedimentary cover indicates a satisfactory thermal insulator. Geophysical modelling estimates to the RIO are about two kilometres.

Any RIO present would be associated with extensive alteration of surrounding basement host rocks and would contain anomalous radiogenic mineral concentrations. These would probably be in mostly granitic rocks similar to the Roxby Downs Granite, and which would enhance the geothermal resource. The Ferguson Hill project merits more detailed investigation as proposed by Petratherm.

LIMITATIONS, INDEMNITIES AND CONSENTS

In the preparation of this Report, I relied upon information provided by the Company's management and Directors. Efforts were made to check this information and I have no reason to believe that any information supplied was false, or that any relevant information was withheld. The Company represented in writing to me that it had disclosed to me in full all material information for the preparation of the Report and that to the best of its knowledge and understanding, such information was complete, accurate and true. Draft copies of this Report were reviewed for factual errors by the Company's management and Directors. Whilst certain changes were made as a result of those reviews, there was no alteration to the conclusions. Hence, the statements and opinions expressed herein are given in good faith and in the belief that these statements and opinions are not false and misleading.

The Company provided me with an indemnity in relation to information provided by it, which I relied upon in preparing this Report. The Company agreed that neither it nor its officers and/or associates will make any claim against me to recover any loss or damage which it may suffer as a result of my reliance on that information in the preparation of the Report. The Company has agreed also to indemnify me against any claim arising out of the assignment to prepare the Report, except where the claim arises as a result of any proved willful default or negligence or unlawful act on my part. This indemnity applies also to any consequential extension of work through queries, questions, public hearings or additional work required, arising out of my engagement to produce the Report.

Neither my family nor I have any material interest in any of the properties or companies mentioned in this report. My relationship with the Company is solely one of professional association between client and consultant. This report is prepared in return for professional fees based on a per diem rate and out of pocket expenses. The payment of these fees is in no way contingent on the results of this report, nor the issue of shares under the Prospectus.

This Report is provided solely for the purpose outlined in the covering letter. Neither the whole nor any part of this document, nor any references thereto, may be included in or with, or attached to, any document, circular, resolution, letter or statement to be published or distributed externally to the Company and its associated companies without my prior written consent to the form and context in which it is to be so published or distributed. Also, I declare that I was involved only in the preparation of this Independent Geological Expert's Report for inclusion in this Prospectus and so take responsibility for its contents alone. I have authorized or caused the issue of only those parts of the Prospectus and was not responsible for the preparation of any other part.



Ian Youles
BSc ARSM FAIMM MIMM CEng



12. Independent Accountant's Report

The Directors
Petratherm Ltd
247 Greenhill Road
DULWICH
SA 5067

7 May 2004

Dear Sirs

INDEPENDENT ACCOUNTANT'S REPORT ON REVIEWED HISTORICAL FINANCIAL INFORMATION

Introduction

We have prepared this Independent Accountant's Report (report) on the historical information of Petratherm Ltd (the Company) for inclusion in a Prospectus dated on or about 11 May 2004 relating to the following proposed transactions:

- A Public Offer of 30,000,000 Ordinary Shares in the Company at an issue price of 20 cents each, subject to a Minimum Subscription of 20,000,000 Ordinary Shares;
- The issue of 2,000,000 Options to Taylor Collison Limited as Sponsoring Broker to acquire Ordinary Shares in the Company at 20 cents each; and
- Subject to the completion of the Public Offer, and acceptance by the receiving party, the issue and allotment of 625,000 ordinary shares in the Company to Adelaide Research & Innovation Pty Ltd in exchange for services provided.

Expressions referred to in the Prospectus have the same meaning in this report.

Background

The Company was incorporated on 24 October 2003 with the aim of acquiring areas suitable for the production of economically viable hot rock energy, together with methodology and research data to assess the potential of such areas.

Petratherm believes that the requirement for power from renewable energy sources will increase, and that hot rock energy is one of the few forms of renewable energy that can provide base-load power without significant impact on the environment.

The Company's initial objective is to assess the possibility to provide clean, renewable energy to certain sites in South Australia and thereafter its ultimate objective is to provide power to the national electricity grid.

From the date of incorporation to 31 December 2003 the Company has incurred expenses in association with the Prospectus. Charges for work associated with the Prospectus had not been received prior to 31 December 2003.

Subsequent to 31 December 2003, the Company acquired the entire issued share capital of MNGI Pty Ltd from Minotaur Resources Investments Pty Ltd (Minotaur). Consideration for this acquisition was the issue of 15,000,000 Ordinary Shares in the Company to Minotaur and the issue of 7,500,000 Options to Minotaur to acquire ordinary shares in the Company at 20 cents each.

On 5 April the Company issued the Directors 2,600,000 Options to acquire Ordinary Shares in the Company. These Options expire on 4 April 2009 and have an exercise price of 20cents.

Scope

You have requested Grant Thornton to prepare a report covering the following information.

- (a) The unaudited historical performance of the Company for the period ended 31 December 2003.
- (b) The unaudited historical Statement of Financial Position as at 31 December 2003 and the consolidated Pro-forma Statement of Financial Position as at 31 December 2003, which assumes completion of the contemplated transactions disclosed in the Prospectus and is detailed in Appendix 1 of this report.

Review of Proforma Historical Financial Information

The historical information set out in Appendix 1 to this report has been extracted from the unaudited financial statements of the Company.

In respect to the historical financial information, the Directors of the Company are responsible for the preparation of historical financial information including determination of the adjustments.

We have conducted our review of the historical financial information in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". We have made such enquiries and performed such procedures as we in our professional judgment, consider reasonable in the circumstances including:

- analytical procedures on the unaudited financial performance of the Company for the relevant historical period;
- a review of accounting records; work papers and other documents;
- a review of the assumptions used to compile the proforma Statement of Financial Position;
- a review of adjustments made to the proforma historical financial information;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies adopted by the Company; and
- enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit thus the level of assurance provided is less than given in an audit and accordingly we do not express an audit opinion.

Conclusion

Review Statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- (a) the proforma Statement of Financial Position has not been properly prepared on the basis of the proforma transactions.
- (b) The historical financial information does not present fairly:
 - the historical Financial Performance of the company for the period to 31 December 2003; and
 - the historical Statement of Financial Position of the Company as at 31 December 2003,

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements and accounting policies adopted by the Company.

Subsequent Events

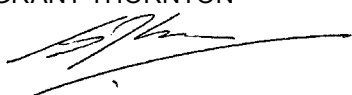
Apart from the matters dealt with in this report and having regard to the scope of our report, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of the Company have come to our attention that require comment on or adjustment to the information referred to in our report or that would cause such information to be misleading or deceptive.

Transactions from 31 December 2003 to the date of this report relate to costs associated with the preparation of the agreement included in this Prospectus, the costs of the Prospectus, the issue of Options to the Directors and the acquisition of the issued share capital of MNGI Pty Ltd.

Independence and Disclosure of Interest

Grant Thornton does not have any interest in the outcome of this issue other than for the preparation of this report and acting as auditors of the Company following completion of the proposed transactions for which normal professional fees will be received.

Yours faithfully
GRANT THORNTON



S J GRAY
Partner

Petratherm Ltd
Consolidated Proforma Statement of Financial Position

	Unaudited Statement of Financial Position as at 31 December 2003 \$	Adjustments Note 1 \$	Adjustments Note 2 \$	Proforma Minimum Subscription \$	Adjustments Note 3 \$	Proforma Maximum Subscription \$
Current assets						
Cash assets	1	3,300	3,575,000	3,578,301	1,900,000	5,478,301
Total current assets	1	3,300	3,575,000	3,578,301	1,900,000	5,478,301
Non current assets						
Intangible assets	-	-	62,500	62,500	-	62,500
Tenement properties	-	357,224	-	357,224	-	357,224
Total non current assets	-	357,224	62,500	419,724	-	419,724
Total assets	1	360,524	3,637,500	3,998,025	1,900,000	5,898,025
Current liabilities						
Payables	-	60,524	-	60,524	-	60,524
Total current liabilities	-	60,524	-	-	-	60,524
Total liabilities	-	60,524	-	-	-	60,524
Net assets	1	300,000	3,637,500	3,937,501	1,900,000	5,837,501
Equity						
Contributed equity	1	300,000	3,637,500	3,937,501	1,900,000	5,837,501
Total equity	1	300,000	3,637,500	3,937,501	1,900,000	5,837,501

Proforma adjustments

Note 1

Purchase 100% of the issued capital of MNGI Pty Ltd for 15,000,000 Ordinary Shares and 7,500,000 Options exercisable at 20 cents each.

The financial information on MNGI is based on unaudited management accounts as at 31 December 2003. Tenement properties have been included at their fair value.

Note 2 - Minimum Subscription

The Public Issue of 20,000,000 Ordinary Shares at 20 cents to raise \$4,000,000. The payment and write-off against share capital of funding costs of the Public Issue of \$425,000

Subject to the completion of the Public Issue of Ordinary Shares, and acceptance by the receiving party, the issue of 625,000 Ordinary Shares to Adelaide Research & Innovation Pty Ltd being consideration for services provided.

Note 3 - Maximum Subscription

The Public Issue of a further 10,000,000 Ordinary Shares at 20 cents each to raise \$2,000,000. The payment and write-off against share capital of a further \$100,000 of fundraising costs.

Summary of options on issue

Existing Option on issue	10,100,000
Option to be issued to Taylor Collison Limited as Sponsoring Broker to the Public Issue	<u>2,000,000</u>
Total Options on issue after Public Issue	<u>12,100,000</u>

Appendix 1

Statement of Financial Performance of Petratherm Ltd
for the period ended 31 December 2003

Revenues from ordinary activities	\$
Expenses from ordinary activities	-
Interest paid	-
Operating profit / (loss) from ordinary activities	-
Income tax expense attributable to operating profit / (loss) from ordinary activities	-
Net Profit / (Loss)	-

Notes to Statement of Financial Performance

The above information has been extracted from the unaudited financial statements of Petratherm Ltd for the period ended 31 December 2003.

Petratherm Ltd has not traded since this period other than the acquisition of the share capital of MNGI Pty Ltd, the issue of Options to the Directors, and incurring costs in preparation for the transaction proposed in the Prospectus.

13. Solicitor's Report on Tenements

19 April 2004

The Directors
Petratherm Ltd
c/- HLB Mann Judd Stephens
82 Fullarton Road
NORWOOD SA 5067

Dear Sirs

Prospectus – Solicitor's Report

This Report is prepared for inclusion in a Prospectus to be dated on or about 11 May 2004 ("Prospectus"), and issued by Petratherm Ltd offering for subscription up to 30,000,000 ordinary shares of \$0.20 cents each.

The Report relates to:

- (i) the registered and unregistered interests of Petratherm Ltd and its wholly owned subsidiary, MNGI Pty Ltd (together "**Petratherm**"), in respect of three granted Geothermal Exploration Licences ("**GELs**") (together the "**Tenements**"), as set out in Schedule 1 to this Report; and
- (ii) the application of native title to the Tenements.

1 Tenements

We have conducted searches of the Tenements in the registers maintained by the Department of Primary Industries and Resources (SA) ("**Department**") pursuant to the *Petroleum Act 2000 (SA)*.

As a result of these searches, we consider that this Report provides an accurate statement as to the status of, and of Petratherm's interests in, the Tenements as at the date of this Report.

We have assumed the information in the registers maintained by the Department is accurate and up to date. The reference in Schedule 1 to the area of the Tenements is taken from details shown on the Department's registers. No survey was conducted to verify the accuracy of these areas.

We have also assumed that the Tenements have been validly granted and that the Minister and persons exercising delegated authority have acted within the scope of their powers and discretions.

Petratherm's interests in and rights in relation to the Tenements are subject to Petratherm (or the registered holder) continuing to comply with the relevant provisions of the *Petroleum Act 2000 (SA)* and *Petroleum Regulations (SA)* ("**Petroleum Act**") and to the conditions subject to which each Tenement is granted.

2 Native Title

The Department has, in granting the Tenements pursuant to the Petroleum Act, assumed that the future act procedures of the *Native Title Act 1993 (Cth)* ("**NTA**") (as described in paragraph 3.1) and in particular the requirement to negotiate, will not apply to the grant of a GEL, on the basis that the grant of a GEL does not involve "the creation of a right to mine, whether by the granting of a mining lease or otherwise", for the purposes of section 26 of the NTA. The NTA defines "mine" to include exploring or prospecting for things that may be mined, or extraction of petroleum or gas from land or under waters. Geothermal energy is not petroleum or gas, nor is it strictly "mined". Rather the energy is released, using a process of heat exchange. It is however possible that a Court may not agree with the Department's interpretation of the relevant NTA provisions in this context. In particular, a Court may take a broader view of the meaning of the creation of a "right to mine" under the NTA, such that the exploration for or production of geothermal energy in fact falls within its scope. Alternatively, the relevant provisions of the NTA may be amended to expressly include geothermal licences. In either case, it is possible that the Tenements (all of which were granted after the

commencement of the NTA) would need to pass through the future act processes of the NTA and that the State government and any grantee party would need to comply with the NTA future act processes prior to grant, including issuing notifications in the manner required by the NTA.

GEL's which may be applied for in future may also be subject to the future act processes contained in the NTA, subject to whether these are in fact "mining" tenements as outlined above. Similarly, where it is proposed to convert all or any part of a GEL to a retention or production licence it may also be necessary to go through the required process of negotiation with any native title holders or claimants whose claims are accepted for registration at the relevant time.

In this report we have examined the native title position on the basis that native title is found by a Court to apply to geothermal exploration licences and/or other licences issued under the Petroleum Act.

From enquiries we have made of the National Native Title Tribunal ("NNTT"), we are aware of certain native title claims which may impact on the Tenements. These are identified in Schedule 1.

It is possible that further claims may be made in the future. Where land is subject to native title, the NTA arguably imposes restrictions upon the grant of geothermal tenements in relation to that land, including the requirement to negotiate with native title holders. As such, subject to our comments below, the existence and determination of native title in relation to the land the subject of the Tenements could inhibit exploration and production operations, or cause significant delays in relation to future conversion of licences and applications for retention or production tenements over the subject land, or possibly challenge the validity of the grant of part or all of the rights conferred therein.

We have not undertaken the considerable legal, historical, anthropological and ethnographic research, which would be necessary to form an opinion as to whether the existing or any future claims for native title would succeed and, if so, what the implications would be for Petratherm. We have assumed the information in the registers maintained by NNTT is accurate and up to date.

3 State and Commonwealth Legislation

In 1992 the decision of the High Court in *Mabo v Queensland* recognised the concept of Aboriginal native title to land where those rights survived the acquisition of sovereignty by non-indigenous people. The NTA was enacted in response to the *Mabo* case to regulate dealings with native title lands, and its substantive provisions commenced on 1 January 1994.

The NTA was substantially amended in 1998 in response to the 1996 High Court decision of *Wik v Queensland*. The *Wik* case recognised that the granting of a pastoral lease did not necessarily extinguish all native title rights, some of which could co-exist with rights held under a pastoral lease. Accordingly, the NTA (as amended) now provides a legislative scheme which sets out how native title is validly extinguished, allows "past acts" (including certain "mining" tenements and ancillary titles granted before 1 January 1994, which might otherwise be invalid due to the native title) and "intermediate period acts" which took place between 1 January 1994 and 23 December 1996 to be validated, authorises valid acts in relation to native title lands occurring after the introduction of the NTA, provides for a negotiation process between government, native title and non-native title parties in relation to certain future uses of native title lands, and provides for compensation to be claimed for the extinguishment or impairment of native title. The NTA also allows the States, amongst other things, to make laws for the validation of past acts and intermediate period acts which are attributable to that State.

In 1996, the *Native Title (South Australia) Act 1994 (SA)* amended the *Mining Act 1971 (SA)* to provide an alternate and complementary State-based system which largely replaces the operation of the "right to negotiate" procedures under the NTA in South Australia. However, no alternative State "right to negotiate" process has been enacted in respect of tenements issued under the Petroleum Act. Accordingly, insofar as native title is affected, the grant of petroleum titles in South Australia remains subject to the "right to negotiate" process under the NTA.

The Native Title (South Australia) (Validation and Confirmation) Amendment Act 2000 (SA) ("**SA Amending Act**") came into operation on 22 January 2001. This Act amends the *Native Title (South Australia) Act 1994 (SA)* and provides for the validation of intermediate period acts attributable to the

State of South Australia and extinguishes native title over land the subject of the majority of perpetual lease categories as granted on or before 23 December 1996 under the *Crown Lands Act 1929 (SA)*. Where native title claims may otherwise have applied to properties covered by the SA Amending Act, those properties will no longer be claimable.

It remains to be seen whether recent important native title decisions of the High Court and Federal Court will result in further legislative amendments.

3.1 Validity of Title

With some exceptions (not relevant to Petrathern), the validity of titles, permits and approvals granted on or after 1 January 1994 (ie. all of the Tenements) may depend:

- (a) to the extent that the grant of the relevant title affects native title; and
- (b) to the extent that the NTA procedures apply to the grant of a GEL, upon compliance with the “future act” processes of the NTA.

Under the NTA, the grant of a “mining” tenement after 1 January 1994 is generally a “future act” if the grant extinguishes or is wholly or partly inconsistent with native title, and is only permitted where the future act procedures under the NTA, and in particular the right to negotiate process (or alternatively the provisions of the NTA relating to the entering into by the relevant parties of an indigenous land use agreement), have been complied with.

Under the NTA procedure, negotiations are initiated to obtain the agreement of relevant native title parties to the carrying out of the proposed future act on the native title land. The right to negotiate (“RTN”) procedures consist of a statutory period of negotiation between the relevant Government party, the native title party and the grantee, during which time the parties must negotiate in good faith. If negotiations fail to resolve any dispute as to the grant of the relevant interest the NNTT (as the arbitral body) will make a determination as to whether the grant may proceed (and if so, on what conditions). Subject to Federal Ministerial intervention the agreement of the parties, or the decision of the NNTT, will determine whether the interest is granted. Tenements which have been granted under the future act procedures of the NTA may be renewed provided there is no expansion of the rights granted and, in particular, no increase in the area, extension of the term or creation of new rights.

3.2 Native Title and the Tenements

The native title claims affecting the areas covered by the Tenements are as follows:- GEL 156 and GEL 157 fall within the scope of Claim No SC99/1 (Adnyamathanha), GEL 157 and GEL 158 fall within SC00/3 (Kujani), and GEL 158 falls within SC98/2 (Arabunna) and SC96/4 (Barngarla). Each of these claims has been accepted for registration such that the claimants are entitled to the rights of negotiation provided for in the NTA.

The Tenements fall within the pastoral lease regions of South Australia. However, we have not been instructed to undertake the detailed underlying tenure investigations which would be necessary to comprehensively determine the nature of the underlying tenure. Pastoral lease land admits the continued existence of native title rights and interests, to the extent that such native title rights and interests have continued to exist in accordance with Aboriginal traditional custom and are not inconsistent with the rights of the holder of the pastoral lease and any other extinguishing event. However, by virtue of the SA Amending Act, the grant of certain pastoral leases conferring exclusive possession, being a past or intermediate act (as defined in paragraph 3 above) may also have extinguished native title rights over the relevant land. As noted above, we have not been instructed to undertake, and understand that Petrathern has not otherwise undertaken, the detailed underlying tenure investigations which would be necessary to confirm the effect of the SA Amending Act in relation to the Tenements.

The NTA provides for a right of compensation in favour of affected native title parties to the extent that the future acts extinguish or impair the relevant native title parties’ rights to the continued enjoyment of their traditional rights over land comprised within the grants. The right to compensation if any, only arises after

the native title has been determined by the court to exist. At the date of this report, it is not possible to assess the level of compensation which will be payable to native title parties in relation to any grants of the Tenements made under the NTA procedures.

3.3 General Comments

3.3.1 Geothermal Exploration Licence

A GEL authorises exploration for sources of geothermal energy and to establish the nature and extent of the resource. GELs are issued subject to standard terms and conditions, together with any other conditions determined by the Minister. The Tenements commonly include conditions relating to the exploratory operations to be carried on within the licensed area in accordance with the work program and timetable for operations as specified in the licence conditions, provisions relating to petroleum reserves, and lodgement of security of \$50,000.00 per licence. The Department has confirmed that the security deposits will be required at the commencement of the year in which seismic or well activities are planned.

The area of a GEL cannot exceed 500km². A GEL is issued for an initial period of 5 years, and is renewable for one or two successive periods of 5 years, depending if the licensed area is within a "highly prospective area". As the Tenements are not within a "highly prospective area" the Tenements may be renewed for two further terms each. At the expiration of the initial term and each renewed term of each of the Tenements (being GELs not within a "highly prospective area") at least 33% of the licence area must be relinquished. Subject to compliance with the terms and conditions of a GEL during its currency, the licence holder has a priority interest in the granting of a retention licence or a production licence for geothermal energy over the area of the GEL. Compliance with the work programme as approved by the Minister from time to time is a mandatory condition of a GEL.

3.3.2 Geothermal Retention Licence

A retention licence ("GRL") may be issued where the applicant holds an exploration or production licence for geothermal energy over the relevant area, and the Minister is satisfied that production is not currently commercially feasible but is more likely than not to become commercially feasible within 15 years. A GRL protects a licensee's interest in the discovery of a source of geothermal energy for a reasonable period to enable a proper evaluation of the productive potential of the discovery, or else to carry out work necessary to bring the discovery to commercial production, and is issued subject to standard terms and conditions, including a work program to be approved by the Minister. The area of the licence must not exceed the lesser of twice the area of the discovery and 100km². A GRL may be issued for an initial term of 5 years and may be renewed from time to time subject to the Minister being satisfied that at that time, production is not currently commercially feasible but is more likely than not to become commercially feasible within 15 years.

3.3.3 Geothermal Production Licence

An applicant who holds a GEL or GRL is entitled to a grant of a production licence ("GPL") over the relevant area, where production is currently commercially feasible or is more likely than not to become commercially feasible within the next 24 months. In certain circumstances the Minister may require the holder of a GEL or GRL to apply for a GPL.

A GPL authorises operations for the extraction or release of geothermal energy together with other regulated activities as specified in the terms and conditions of the licence. The area of the licence must not exceed the lesser of twice the area of the discovery or 100km². The term of a GPL is unlimited. A work program for the development of the licensed area and for the production of geothermal energy must be approved by the Minister. If, in the Minister's opinion, production is currently commercially feasible, then the Minister may require the holder to undertake the operations, and if the holder fails to proceed in accordance with the licence terms or a notice from the Minister, then the licence may be cancelled.

3.3.4 Other Obligations

The Petroleum Act also imposes obligations upon the holder of a geothermal energy licence (whether a GEL, GRL or GPL) in relation to the following matters:

- (a) entry to and use of land, notice requirements and compensation to the landholder. Petratherm will need to give written notice to occupiers of the relevant land, including in this case the pastoral leaseholders within the area of each Tenement (and registered native title claimants), before entering the land for exploration purposes. An occupier of land (other than a pastoral lessee) may object to the proposed entry, following which the Minister or Wardens Court may determine the terms on which the licensee may enter the land.
The licence holder is also required to compensate all “owners” of the land upon which regulated activities (which includes geothermal exploration) are conducted. An “owner” is defined to include amongst others, all persons holding a registered interest in the land (including pastoral lessees) and persons holding native title in the relevant land. Compensation may be by agreement or else determined by court order.
- (b) where the licensed area is also the subject of a licence in respect of another regulated resource under the Petroleum Act. Where an existing petroleum title is held over an area in respect of which an application for a geothermal licence is made, the Minister must consult with the holders of the existing licences before granting the geothermal licence.
- (c) compliance with environmental obligations. A licensee may not carry out activities unless a statement of environmental objectives (“SEO”) as approved by the Minister is currently in force, and an environmental impact report (“EIR”) on the regulated activities has been prepared. The purpose of an EIR is to identify the likely impact on the environment as a result of the proposed activities under the licence. The SEO sets out the environmental objectives to be achieved in carrying out those activities. The Department has confirmed that no EIR or SEO has to date been lodged in respect of geothermal exploration under the Tenements.
- (d) royalties in respect of the production of geothermal energy. Presently, the Petroleum Act imposes a royalty of 2.5% of the value of the energy extracted at the well head.
- (e) a registrable dealing with an interest in a licence under the Petroleum Act requires the Minister’s prior consent.
- (f) annual fees of \$2,455.00 are currently payable in respect of each GEL, (the Department has advised that the fee will increase with effect from 1 July 2004).

3.4 Other Applicable Legislation

Other State and Commonwealth legislation applicable to Petratherm’s operations on the Tenements includes:

- 3.4.1** The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)* provides for the preservation of areas and objects which are of particular significance to Aboriginals in accordance with Aboriginal tradition, and may have the potential to halt exploration activities in the event that the Minister makes a declaration for protection and preservation of an area of Aboriginal significance under the Act.
- 3.4.2** The *Aboriginal Heritage Act 1988 (SA)* similarly provides for the preservation of Aboriginal heritage in South Australia, by the identification of sites of significance to Aboriginal people on a register maintained pursuant to the Act. Petratherm must observe the provisions of the Act in relation to operations on the Tenements, including obligations to report to the Minister discovered Aboriginal sites, objects or remains.

Our search of the State Register of Aboriginal Sites and Objects has revealed numerous entries for Aboriginal sites within the areas of the Tenements. Petratherm will need to conduct heritage surveys of the Tenements on an on-going basis to ensure compliance with heritage legislation. These surveys will involve additional costs and could also involve time delays in working the Tenements if the relevant co-operation or approvals are not forthcoming.

3.4.3 The Petroleum Act and the *Environment Protection Act 1993 (SA)* impose obligations relating to the rehabilitation of tenements.

3.4.4 The *Heritage Act 1993 (SA)* applies in respect of any areas within the Tenements which are on the State Heritage Register. The Department for Environment and Heritage (SA) has advised that the following State Heritage Places are relevant to the Tenements:

- Paralana Hot Springs (a designated place of geological significance) is registered in the State Heritage Register. We note that Yudnmutana Gorge and Paralana Hot Springs area (National Estate Register) are specifically excluded from the area of GEL 156
- Tertiary Silcrete Flora, Stuarts Creek is registered in the State Heritage Register and is within the area of GEL158.

Certain other registered sites are nearby or adjoining the Tenement areas, including the Lake Callabonna Fossil Reserve (a designated place of palaeontological significance) which adjoins the area of GEL157.

4. Consent and Declarations

The partners of O'Loughlins and the staff involved in the preparation of this Report have no interest in or financial relationship with Petratherm Ltd, other than Simon O'Loughlin, a partner of O'Loughlins, who is a director of Petratherm Ltd and whose interests are noted in Section 14 of the Prospectus. Other than a time based fee for the preparation of this Report, no pecuniary or other benefit, direct or indirect, has been received by O'Loughlins in connection with the making of this Report.

In providing this Report we have relied on (and have not sought to verify) the accuracy of information provided to us by the Department and the NNTT in response to our searches of their records and registers. In reliance upon this information, we believe this Report does not contain anything which is false in a material particular or which is materially misleading in the form and context in which it appears. We have not undertaken any additional searches of other government agencies or of courts or tribunals. We have given, and have not, before the lodgement of the Prospectus of which this Report forms part, withdrawn our consent to the issue of the Prospectus with this Report in the form and context in which it is included.

Yours faithfully

O'Loughlins

O'Loughlins

SCHEDULE 1 – Tenements

Tenement	Name/ Location	Status	Date Granted	Renewal Date	Area (km ²)	Registered Holder	Native Title Claims
GEL156	Paralana (Arrowie Basin) (SA)	Granted/ Current	21/1/04	20/1/09	498	MNGI Pty Ltd	SC99/1
GEL157	Callabonna (Arrowie Basin) (SA)	Granted/ Current	21/1/04	20/1/09	496	MNGI Pty Ltd	SC99/1 SC00/3
GEL158	Ferguson Hill (Arckaringa Basin)(SA)	Granted/ Current	21/1/04	20/1/09	499	MNGI Pty Ltd	SC98/2 SC00/3 SC96/4

Note: Pursuant to the Share Purchase Agreement referred to in Section 14.9.4 of this Prospectus, Petratherm Ltd acquired the whole of the issued capital of MNGI Pty Ltd

SUMMARY OF NATIVE TITLE CLAIMS

* SC 99/1	Accepted for registration	Adnyamathanha No. 1 Claim
* SC 00/3	Accepted for registration	Kujani Claim
* SC 98/2	Accepted for registration	The Arabunna People's Native Title Claim
* SC 96/4	Accepted for registration	Barngarla Native Title Claim

14. Additional Information

14.1 Incorporation

Petratherm Ltd was registered as a public company on 24 October 2003.

14.2 Tax Status

Petratherm Ltd will be taxed as an Australian resident at the prevailing corporate tax rate which is currently 30%.

14.3 Litigation

The Directors are not aware of any legal proceedings which have been threatened or actually commenced against the Company.

14.4 Directors' Relevant Interests

a) Interests in Securities

The table appearing in Section 14.8 of this Prospectus shows the interest of each Director and his associates in securities of the Company.

All options issued to Directors were issued for no consideration as and by way of an incentive in relation to the performance of their duties.

b) Interests of Directors

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of the Shares; or
- the Offer of the Shares.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or given or agreed to be

paid or given to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or any company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer of the Shares. O'Loughlins, a firm in which Simon O'Loughlin is a partner, has received legal fees as set out in section 14.5 of this Prospectus. HLB Mann Judd Stephens, a firm in which Donald Stephens (a former Director) is a consultant, has or will receive professional fees as set out in Section 14.5 of this Prospectus. Derek Carter and Richard Bonython are directors and Donald Stephens is secretary of Minotaur Resources Ltd a subsidiary of which has entered into the Share Sale and Purchase Agreement with the Company details of which are set out in section 14.9.4 of this Prospectus. Richard Hillis is to receive a beneficial interest in 125,000 ordinary shares in the Company and has received and will receive fees for services rendered to the Company in his capacity as a contractor for Adelaide Research & Innovation Pty Ltd.

c) Remuneration of Directors

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive Directors has been fixed at a maximum of \$300,000 per annum to be apportioned among the non-executive Directors in such manner as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

d) Insurance

The Company intends to effect and maintain, Directors' and Officers' Liability and Company Reimbursement insurance.

14.5 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this

Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company with which any of those persons is or was associated, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer under this Prospectus; or
- the Offer under this Prospectus.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or given or agreed to be paid or given to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer under this Prospectus.

Taylor Collison Limited has agreed to act as sponsoring broker in respect of the Offer. The fees payable to it are described in Section 3.10 of this Prospectus.

Grant Thornton (“GT”) have acted as independent accountants in relation to the Offer. As independent accountants, GT have been involved in undertaking due diligence in relation to financial and taxation matters and preparing proforma financial accounts, and have prepared the Investigating Accountant’s Report which has been included in this Prospectus. In respect of this work the Company has agreed to pay GT a total of \$7,000 for these services. GT will be the auditors to the Company, but have not yet undertaken any audits for the Company.

O’Loughlins Lawyers have acted as the solicitors to the Company in relation to the Offer and have

prepared the Solicitor’s Report which has been included in this Prospectus, and in that capacity and otherwise assisting the Company with the preparation of this Prospectus, O’Loughlins Lawyers have been involved in undertaking certain due diligence enquiries in relation to legal matters and providing legal advice to the Company in relation to the Offer. In respect of this work, the Company has agreed to pay O’Loughlins Lawyers \$60,000 for these services up to the date of this Prospectus. O’Loughlins Lawyers has or may receive professional fees at their normal rates for other legal work for the Company.

HLB Mann Judd Stephens has or will receive professional fees at their normal rates for accounting and secretarial work for the Company since its incorporation.

Ian Youles will receive professional fees of \$10,000 for the provision of the Independent Geologist’s Report.

14.6 Expenses of the Offer

The estimated expenses connected with the Offer, which are payable by the Company based on minimum subscription being achieved are as follows:

Investigating Accountant’s Report	\$ 7,000
Legal Expenses	\$ 60,000
Independent Geologist’s Report	\$ 10,000
Sponsoring Broker – Fees and Expenses	\$200,000
Printing, Posting, Registry,	
Miscellaneous Offer and Listing Costs	\$113,000
ASX Listing Fees	\$ 35,000
Total	\$425,000

If the Offer is fully subscribed then the sponsoring broker fees will increase by \$100,000 and the total expenses will increase to \$525,000.

14.7 Consents

Each of the parties referred to in this Section 14.7:

- a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 14.7; and

b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Grant Thornton have given their written consent to the inclusion in Section 12 of this Prospectus of their Investigating Accountant's Report and to all statements referring to that report in the form and context in which they appear and have not withdrawn such consent before lodgement of this Prospectus with ASIC.

O'Loughlins Lawyers have given their written consent to the inclusion in Section 13 of this Prospectus of their Solicitor's Report and to all statements referring to that report in the form and context in which they appear and have not withdrawn such consent before lodgement of this Prospectus with ASIC.

Ian Youles has given his written consent to the inclusion in Section 11 of this Prospectus of his Independent Geologist's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Taylor Collison Limited has given and as at the date hereof has not withdrawn its written consent before lodgement of this Prospectus with ASIC, to be named in this Prospectus as the Sponsoring Broker in the form and context in which it is named. It has had no involvement in the preparation of any part of this Prospectus other than recording of its name as Sponsoring Broker of the Issue.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn its written consent to be named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

Sinclair Knight Merz Pty Ltd has given its written consent to being named in the Prospectus and to

the inclusion of the results of its work and to all statements based on that work appearing in the Prospectus in the form and context in which the results of that work and those statements appear. Sinclair Knight Merz Pty Ltd has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Furthermore, each of the following has consented in writing to being named in the Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

- Grant Thornton as Auditors and Investigating Accountant;
- O'Loughlins Lawyers as the Solicitors to the Company;
- Ian Youles as the Independent Geologist;

Copies of the consents to the issue of this Prospectus are available for inspection, without charge, at the registered office of the Company.

14.8 Details Of The Existing Shareholders And Optionholders

The holders of Shares and options in the Company prior to this Offer are as follows:

HOLDER	NUMBER OF SHARES	NUMBER OF OPTIONS
Minotaur Resources Investments Pty Ltd	15,000,001	7,500,000
Richard Hillis	0	300,000
Lloyd Taylor	0	400,000
Richard Bonython	0	500,000
Derek Carter	0	1,200,000
Simon O'Loughlin	0	200,000

14.9 Material Contracts

This section contains summaries of the more important provisions of contracts to which Petratherm is a party and which are or may be material in terms of the Offer or the operations of Petratherm or otherwise are or may be material to an investor who is contemplating this Offer.

To fully understand all rights and obligations in the material contracts it is necessary to read them in full. A copy of each of these contracts may be inspected during normal business hours at the registered office of Petratherm.

14.9.1 Consultancy Services Agreement

A Consultancy Services Agreement dated 24 March 2004 has been entered into between the Company and Adelaide Research & Innovation Pty Ltd as trustee for The Adelaide Research & Innovation Investment Trust ("ARI"). ARI is the commercial development arm of The University of Adelaide and enters into the Agreement on behalf of The University of Adelaide in accordance with the University of Adelaide policy.

Pursuant to the Agreement ARI agrees to assist the Company with the preparation of a research proposal for an R & D Start Grant Application. The consulting services are to be provided by Professor Richard Hillis, Dr Scott Mildren and Dr Martin Hand employees of the University of Adelaide who are procured by ARI as the consultants ("the consultants"). The Agreement commenced in December 2003 and will terminate at the end of 2006. ARI will be remunerated by the issue (subject to the listing of the Company on the ASX and contingent upon ARI's acceptance) of 625,000 ordinary shares in the capital of the Company and payment of a daily rate in respect of services performed by the consultants under the Agreement. All intellectual property rights in the works created by the performance of the services vest in the Company. ARI grants the Company a perpetual royalty free non-exclusive licence to use any background intellectual property to the extent necessary to use the intellectual property produced in the consultancy services. The Company grants ARI a perpetual worldwide royalty free non-exclusive licence to use any intellectual property produced in the performance of the consultancy provided that such use does not impinge on the commercial operations of the Company.

The agreement can be terminated by either party on short notice.

14.9.2 Development and Project Management Agreement

In August 2003 Minotaur Resources Ltd entered into a Development and Project Management Agreement in relation to an R & D Start Grant with Inventure Partners Pty Ltd ("Inventure"). By a Novation Contract dated 25 March 2004, Minotaur Resources Ltd novated its interest under that Agreement to the Company.

Under the Agreement Inventure agrees to project manage the development of an R & D Start Grant Application from inception through to lodgement. For the provision of these services it is entitled to receive a fee of \$25,000 (exclusive of GST) and, subject to the grant application being successful, a success fee of a further \$50,000 (exclusive of GST). The works to be performed by Inventure include assisting the Company in the collection of key data to support the application, creating and sourcing critical documents and support materials for the application and preparing the grant application. The Agreement also provides for Inventure to assist the Company in its dealings with AusIndustry during the application process.

14.9.3 Share Sale and Purchase Agreement

A Share Sale and Purchase Agreement dated 25 March 2004 has been entered into between the Company as purchaser and Minotaur Resources Investments Pty Ltd ("MNRI") as vendor. Pursuant to the Agreement, MNRI has agreed to sell to the Company the whole of the issued capital of MNGI Pty Ltd in consideration of the issue by the Company of 15,000,000 ordinary shares and the grant by the Company of 7,500,000 options to subscribe for ordinary shares at an exercise price of \$0.20 per Share and with an exercise period of five years from the date of grant of the options. MNGI Pty Ltd is the registered owner of South Australian Geothermal Exploration Licences numbered GEL 156, 157 and 158 and owns confidential information and other intellectual property in hot rock technology.

The Agreement contains extensive warranties in relation to the shares in MNGI Pty Ltd, MNGI Pty Ltd and its assets and liabilities for the benefit of the Company. MNRI and other members of the group of companies of which it is a member are restrained from engaging in competitive activity with the

Company for a period of five years. Settlement was effected under the Agreement on 25 March 2004.

14.10 Rights Attaching To Shares

The Shares to be issued under this Prospectus will rank equally with the fully paid ordinary shares in the Company. The rights attaching to shares are set out in the Company's Constitution, and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules and general law. The Constitution of the Company may be inspected during normal business hours at the registered office of the Company.

The following is a summary of the more significant rights of the holders of ordinary shares of the Company. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's members. The summary assumes that the Company is admitted to the Official List of ASX.

a) General Meeting

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the Listing Rules.

b) Voting

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of shares in the Company have been paid. Where there are two or more joint holders

of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members.

c) Issues of Further Shares

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's Constitution, the ASX Listing Rules, the Corporations Act and any rights for the time being attached to the shares in special classes of shares.

d) Variation of Rights

At present, the Company has on issue one class of shares only, namely ordinary shares. The rights attached to the shares in any class may be altered only by a special resolution of the Company and a special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

e) Transfer of Shares

Subject to the Company's Constitution, the Corporations Act, the SCH Business Rules and the ASX Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with SCH Business Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act. The Company may decline to register a transfer of shares in the circumstances described in the Company's Constitution and where permitted to do so under the ASX Listing Rules. If the Company declines to register a transfer, the Company must, within five business days after the transfer is lodged with the Company, give the lodging party written notice of the refusal and the reasons

for refusal. The Directors must decline to register a transfer of shares when required by law, by the ASX Listing Rules or by the SCH Business Rules.

f) Partly Paid Shares

The Directors may, subject to compliance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

g) Dividends

The Company in general meeting may declare a dividend if the Directors have recommended a dividend, and a dividend shall not exceed the amount recommended by the Directors. The Directors may authorise the payment to the members of such interim dividends as appear to the Directors to be justified by the Company's profits and for that purpose may declare such interim dividends.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid proportionally to the amount paid up or credited as paid up on the shares.

h) Winding Up

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of the Company in proportion to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

i) Dividend Plans

The Directors or the members of the Company, in general meeting, may establish and maintain dividend plans under which (among other things) a member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company or a member may elect to forego any dividends that may be payable on all or some of the

shares held by that member and to receive instead some other entitlement, including the issue of shares.

j) Directors

The Company's Constitution states that the minimum number of directors is three.

k) Powers of the Board

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the ASX Listing Rules or the Company's Constitution.

14.11 Options

14.11.1 Employees and Officers Share Options

The Company has established The Petratherm Ltd Employees and Officers Share Option Plan ("Plan") to assist in the attraction, retention and motivation of employees or officers of the Company and its related bodies corporate ("Group"). No options have been granted under the Plan as at the date of this Prospectus.

A summary of the Rules of the Plan is set out below. All employees or officers (full and part-time) and consultants will be eligible to participate in the Plan after a qualifying period of 12 months' employment by a member of the Group (or, in the case of a consultant to a Group Company, having provided consulting services on a continuous basis for at least 12 months), although the Board may waive this requirement.

The allocation of options to each employee, officer or consultant is in the discretion of the Board.

If permitted by the Board, options may be issued to an employee's, officer's or consultant's nominee (for example, a spouse or family company).

Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue.

Options will be issued free. The exercise price of options will be determined by the Board, subject to

a minimum price equal to the market value of the Company's shares at the time the Board resolves to offer those options. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee or officer share plan, must not exceed 5% of the Company's issued share capital.

If, prior to the expiry date of options, a person ceases to be an employee, officer or consultant of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) must be exercised within 1 month thereafter otherwise they will automatically lapse. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.

Options cannot be transferred other than to the legal personal representative of a deceased optionholder. The Company will not apply for official quotation of any options.

Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.

Optionholders may only participate in new issues of securities by first exercising their options. If there is a bonus share issue to the holders of shares, the number of shares over which an option is exercisable will be increased by the number of shares which the optionholder would have received if the option had been exercised before the record date for the bonus issue.

If there is a pro rata issue (other than a bonus share issue) to the holders of shares, the exercise price of an option will be reduced to take account of the effect of the pro rata issue as per the formula in (h) of Section 14.11.2 of this Prospectus.

If there is a reorganisation of the issued capital of the Company, unexercised options will be reorganised in accordance with the Listing Rules.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules.

14.11.2 Options

The Options which have already been issued prior to the date of this Prospectus to Directors and to Minotaur Resources Investments Pty Ltd were granted on the following terms and conditions:

(a) The Optionholder is entitled on payment of 20 cents per share ("**the Exercise Price**") to be allotted one ordinary fully paid share in the Company for each Option exercised (subject to possible adjustments referred to below).

(b) The Options held by the Optionholder are exercisable in whole or in part at any time on or before the fifth anniversary of the date on which they were issued ("**Exercise Period**"). Options not exercised before the expiry of the Exercise Period will lapse.

(c) Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the Exercise Price in cleared funds.

(d) The Company will not apply for official quotation on ASX of the Options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the Options. Those Shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment. (e) Subject to any restriction agreement, Options are freely transferable.

(f) An Optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give prior notice to the Optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.

(g) If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if

the Option had been exercised before the record date for the bonus issue.

(h) If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = \frac{O - E[P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying ordinary shares into which one Option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the 5 trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

(i) If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with ASX Listing Rules.

The options to be issued to Taylor Collison Ltd will be on substantially the same terms and conditions as those set out above for existing options.

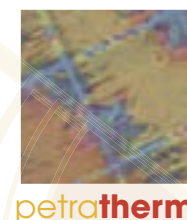
14.12 Electronic Prospectus

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper

prospectus lodged with ASIC and the issue of securities in response to an electronic application form subject to compliance with certain provisions.

If you have received this Prospectus as an electronic prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at www.petratherm.com.au and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

Petratherm Ltd reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such case, the Application Monies received will be dealt with in accordance with Section 722 of the Corporations Act.



14.13 Definitions

In this Prospectus, unless the context otherwise requires:

“A\$” and “\$”	means Australian dollars, unless otherwise stated.
“Applicant”	means a person who submits an Application.
“Application”	means a valid application to subscribe for Shares.
“Application Form”	means the application form contained in this Prospectus or a copy of the application form contained in this Prospectus or a direct derivative of the application form which is contained in this Prospectus.
“Application Monies”	means twenty cents (\$0.20) being the amount payable in respect of each Share under the Offer.
“ASIC” or “Commission”	means Australian Securities and Investments Commission.
“ASTC”	means ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).
“ASX”	means Australian Stock Exchange Limited (ACN 008 624 691).
“Board of Directors” and “Board”	means Board of Directors of Petratherm Ltd unless the context indicates otherwise.
“Business Day”	means a day on which the trading banks are open in Adelaide, South Australia.
“CHESS”	means ASX Clearing House Electronic Subregistry System.
“Closing Date”	means the date on which the Offer closes.
“Company”	means Petratherm Ltd (ACN 106 806 884).
“Completion of the Offer”	means the allotment of all the Shares offered under this Prospectus.
“Corporations Act”	means the Corporations Act 2001 of Australia.
“CST”	means Central Standard Time as applicable in Adelaide, South Australia and references to time in this Prospectus are references to CST.
“Directors”	means directors of Petratherm unless the context indicates otherwise.
“Directors Options”	means Options issued to Directors as detailed in section 14.8 of the Prospectus.
“email”	means an electronic mail service that allows users to send and receive messages via the Internet.
“GEL”	means Geothermal Exploration Licence
“HIN”	means holder identification number.

“Issue”	means the issue of Shares pursuant to this Prospectus.
“Issue Sponsored”	means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES.
“Listing Rules”	means listing rules of the ASX.
“Minotaur”	means Minotaur Resources Ltd (ACN 091 504 497).
“Offer”	means the invitation to apply for Shares pursuant to this Prospectus.
“Offer Period”	means the period commencing on the Opening Date and ending on the Closing Date.
“Official List”	means the Official List of the ASX.
“Opening Date”	means the date immediately following the expiry of the exposure period referred to in Section 2 of this Prospectus.
“Optionholder”	means a holder of any Options.
“Options”	means the Options referred to in Section 14.11 of this Prospectus.
“Petratherm”	means Petratherm Ltd (ACN 106 806 884) and, where the context permits, its subsidiaries.
“PIRSA”	means the Department of Primary Industries and Resources (SA).
“Proper SCH Transfer”	has the same meaning given in the Corporations Act.
“Prospectus”	means this disclosure document
“Quotation”	means quotation of the Shares on the Official List.
“R&D Start Grant”	is a merit-based program designed to assist Australian industry to undertake research and development and commercialisation through a range of grants and loans.
“SCH Business Rules”	means the SCH Business Rules issued by ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).
“Share”	means a fully paid ordinary share in the capital of Petratherm.
“Shareholders”	means the holders of Shares in Petratherm.
“Subsidiaries”	means the same as that term is defined under Section 9 of the Corporations Act.
“Tenement”	means a Geothermal Exploration Licence (“GEL”), or any other form of geothermal licence or title held or applied for by the Company or in which the Company has an interest.

14.14 Directors' Responsibility Statement And Consent

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements by the Directors in this Prospectus are not misleading or deceptive and that with respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making those other statements were competent to make such statements and each of those persons have given their consent to the issue of this Prospectus and have not withdrawn that consent, before lodgement of this Prospectus with ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus. The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented in writing to the lodgement of the Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of Petratherm Ltd on 11 May 2004



Derek Northleigh Carter
Chairman

APPLICATION FORM

AND GUIDE TO THE APPLICATION FORM

PETRATHERM LTD
ABN 17 106 806 884

PRIORITY ENTITLEMENT

Minotaur Resources Ltd shareholders receive a priority right, until 17 June 2004, to apply for Shares. Please indicate by crossing ("X") the box if you are a Minotaur shareholder and provide the SRN or HIN of your holding.

☐

("X")

SRN or HIN

Registry Use Only

Broker Code

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire Prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

Any person who gives you access to this Application Form must at the same time and by the same means give you access to the Prospectus. Petratherm Ltd will send you paper copies of the Prospectus and this Application Form on request free of charge.

A I/we apply for

Number of shares in Petratherm Ltd at \$0.20 per share or such lesser number of shares which may be allocated to me/us.

B I/we lodge full Application Money

A\$

C Individual/Joint applications – refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name

Given Name(s)

Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Postal Address- include State and Postcode

Unit

Street Number

Street Name or PO Box/Other Information

City/Suburb/Town

State

Postcode

E Contact Details

Contact Name

Telephone (Work)

Telephone (Home)

F CHESSE DETAILS

Holder Identification Number (HIN)

Please note that if you supply a CHESSE HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESSE, your application will be deemed to be made without the CHESSE HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored Subregister.

G Cheque Details – make your cheque or bank draft payable to Petratherm Ltd Float Account

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application Form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate.

I/we agree to be bound by the Constitution of the Company. **See back for completion guidelines.**

How to Complete this form

A Shares Applied for

Enter the number you wish to apply for. The application must be for a minimum of 10,000 shares. Applications for greater than 10,000 Shares must be in multiples of 1,000 shares.

B Application Moneys

Enter the amount of Application Moneys. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the incorrect form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For Joint Applications, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

Petratherm Ltd (the Company) will apply to the ASX to participate in CHES operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHES, the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allotted a Securityholder Reference Number (SRN)..

G Payment

Make your cheque or bank draft payable to Petratherm Ltd Float Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in Box C.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the Applicant(s) should read this Prospectus to which this Application Form is attached. By lodging the Application Form, the Applicant(s) agrees that this application for shares in Petratherm Ltd is upon and subject to the terms of the Prospectus and the Constitution of Petratherm Ltd, agrees to take any number of shares that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received at the Adelaide office of Computershare Investor Services Pty Limited by no later than 5.00 pm CST on 24 June 2004 Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited OR
GPO Box 1903
ADELAIDE 5000

Computershare Investor Services Pty Limited
Level 5
115 Grenfell Street
ADELAIDE 5000

Privacy Statement

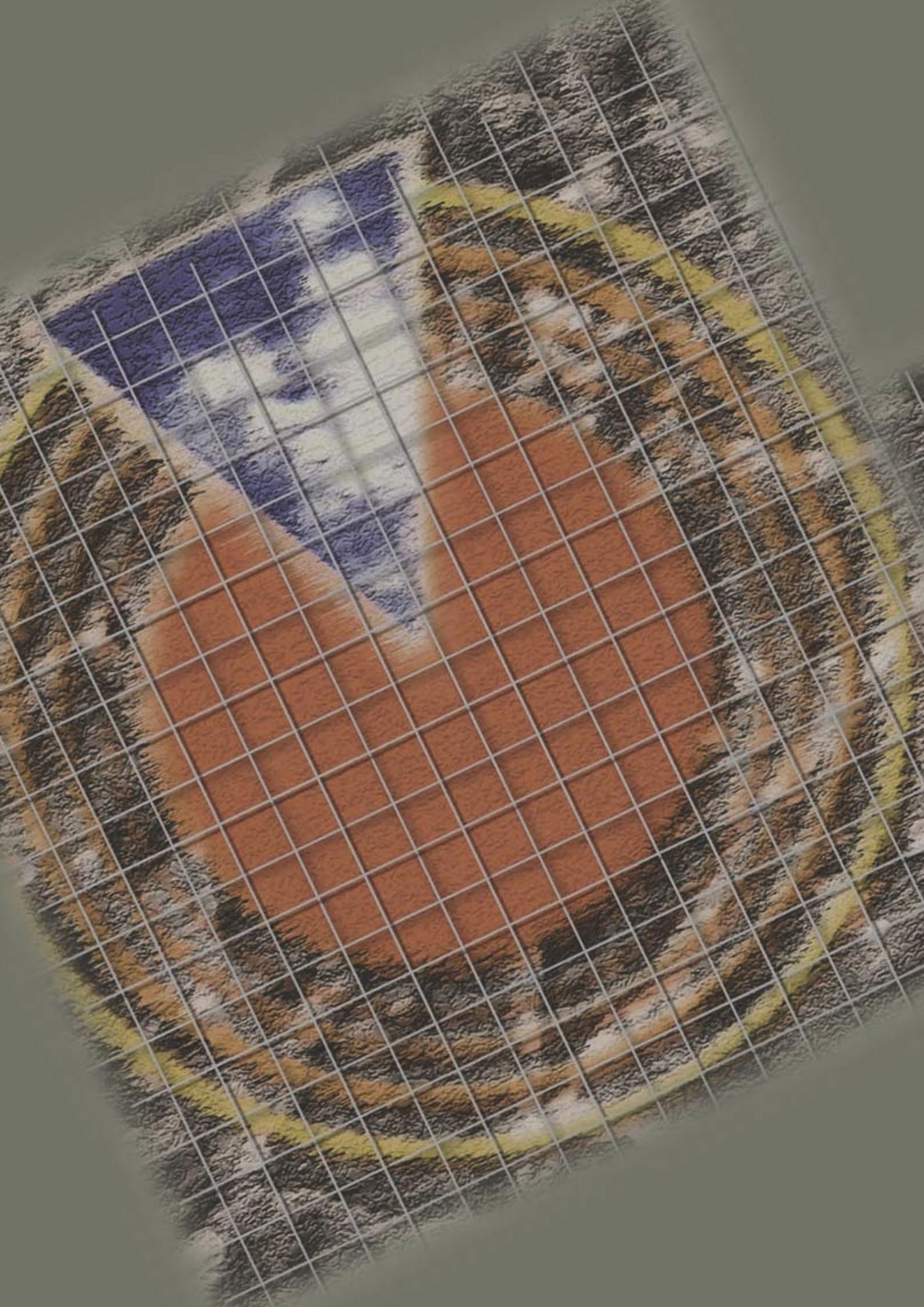
Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au.

If you have any enquiries concerning your application, please contact Computershare Investor Services Pty Limited on 1300 556 161.

CORRECT FORMS OF REGISTRABLE TITLE

Note that only legal entities are allowed to hold securities. Applications must be in the name(s) of a natural person(s), companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	JS Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Mary Smith	John Alfred & Janet Mary Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Peter Smith <Est John David Smith A/C>	Estate John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use name of partnership	Mr John David Smith & Mr Michael Peter Smith <John Smith & Son A/C>	John Smith and Son
Clubs/Unincorporated Bodies - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mr John David Smith <ABC Tennis Association A/C>	Smith Investment Club or ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund





petrath^{er}mltd

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