Petratherm Ltd

ACN 106 806 884

Half Year Report

for the half year ended 31 December 2013

Contents to Half Year Report

Directors' Report

The directors of Petratherm Ltd ('Petratherm') present their Report together with the financial statements of the consolidated entity, being Petratherm ('the Company') and its controlled entities ('the Group') for the half year ended 31 December 2013 and the Independent Review Report thereon.

Director Details

The following persons were directors of Petratherm during or since the end of the financial year.

Mr. Derek Carter, Chairman
Mr. Terry Kallis, Managing Director
Prof. Richard Hillis, Non-Executive Director
Mr. Richard Bonython, Non-Executive Director
Mr. Simon O'Loughlin, Non-Executive Director
Mr. Lew Owens, Non-Executive Director

Operating Result

The group's loss for the half year ended 31 December 2013 after providing for income tax amounted to $3,581,095 (2012: $609,598).

PRINCIPAL ACTIVITIES

The principal activities of the Company & Group during the financial year were:

- to test hot rocks, with high temperatures;
- establishing an economically viable, emission free, renewable source for power generation.

There have been no significant changes in the nature of those activities during the year.

REVIEW OF OPERATIONS

Summary

- Focus was on unlocking the $13 million Emerging Renewables Program grant by meeting the conditions precedent (that were extended to 19 July 2014) to enable a recommencement of field activities on the Paralana Geothermal Project.
- Applied for petroleum licence in Tasmania that was awarded in the post reporting period.
- The Company raised $653,858 (before costs) in a rights issue in which 828 shareholders (about 23% of shareholders) participated.
- As foreshadowed in the rights issue, the Company commenced an examination of new projects that would enhance shareholder value.
- 3D inversion modelling of a detailed magneto-telluric survey has defined a geothermal target on the southern slopes of Teide Volcano, Tenerife, in an area suitable for development. The Company remains focused on achieving a commercial outcome for this project.

During the six months to 31 December 2013 the Company's primary focus was on funding its flagship Paralana project through a combination of Federal government grant monies, Joint Venture partner and the equity markets. At the beginning of the period the Company held $877,345 in cash. During the period the Company expended $118,853 on exploration and evaluation activities and a further $481,534 on administration. A total of $653,858 (before costs) was raised and the Company held $837,949 in cash at the end of the reporting period.

CORPORATE HIGHLIGHTS

During the period the Company has sought to contain costs while it seeks to address the funding need of the Paralana project. The Company's primary focus continued on resolving these funding matters to enable the project to proceed as soon as practicable.

Previously in June, the Company advised that it had been awarded a $13 million grant by the Australian Renewable Energy Agency to fund approximately half of the next critical stage of works at Paralana. There a two key conditions to this grant to restart deep drilling and sub-surface development works. The first being a firm commitment assurance from our JV partner Beach Energy to fund its 21% equity share, which has been obtained. Secondly, that Petratherm secures an additional $5 million in equity either from the market or through introducing an additional Joint Venture partner to the Project. The Company has until 19th of July 2014 to meet these conditions precedent.

The Company undertook a capital raising by way of a non-renounceable pro rata rights issue in October 2013 at an issue price of $0.01 per new share on the basis of one new share for every one ordinary share held. The rights issue was partially underwritten by Taylor Collison Limited to the extent of $600,000. A sum of $653,858 (before costs) was raised which together with existing cash will be used to continue our efforts to meet the conditions of the ERP grant and, if appropriate, to develop new projects.

The Company is aware of the need to conserve funds and has put in place severe cost reductions, including to salary levels amounting to a 60 % pay reduction. In addition, directors have agreed to a reduction of their annual fees by 50% which remains unpaid at this time.

The Company is continuing to examine new projects that would enhance shareholder value and provide a contingency plan should it be unable to meet the grant conditions for the Paralana project by 19 July 2014.

OPERATIONS HIGHLIGHTS

Paralana Project

During the period no further ground activities were undertaken whilst the Company seeks to finalise funding arrangements for the next critical stage of works. These works are currently scheduled to begin, subject to finance, in 2014 and will see the completion of a circulation doublet, aimed at producing a commercial rate of energy extraction. If a sustainable high production flow rate can be achieved, then a 3.5 MW Organic Rankine Cycle (ORC) power plant is to be installed. Concurrently, the connection of the new 3.5 MW plant to the local customer, Beverley Uranium Mine, will occur via an 11km underground 33kV transmission line. This second phase of work is subject to a Commonwealth Government Renewable Energy Development Program (REDP) Grant, which will provide funds on a $1 for every $2 spent basis. The project has been fully budgeted and financial modelling show this initial development will be commercially viable inclusive of grants.

Tenerife Project - Spain

3-D inversion modelling of an extensive magneto-telluric (MT) survey undertaken earlier in the year on the volcanic island of Tenerife was completed in December 2013. Findings from the survey clearly define a previously unconstrained conductivity feature identified by Petratherm España on the southern slopes of the Teide Volcano which may indicate a zone of geothermal upwelling. The large dome shaped conductivity target occurs near the town of Vilaflor in an area accessible by road and is amenable to development if commercial geothermal energy sources are found.

The MT processing and 3-D inversion modelling was undertaken by researchers at the University of Barcelona as part of the collaborative Spanish Government funded Geothercan project to assess the geothermal potential of the Canary Islands. The modelling work suggests a well drilled to 2000m is sufficient to penetrate through the clay alteration cap into the potential geothermal system below

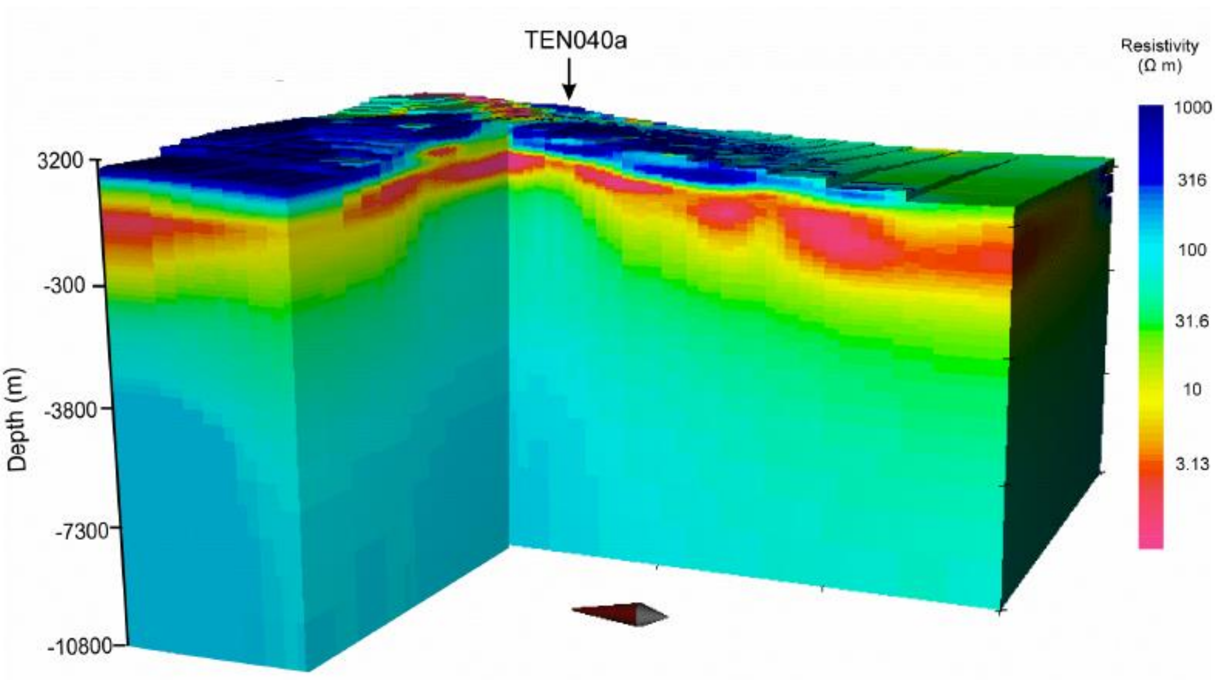

Figure 1 - 3-D perspective view of the 3-D inversion model, clearly defines upward thinning of high conductivity (yellow to red colours) clay alteration cap.

Tasmania

In July 2013, Petratherm advised that its wholly owned subsidiary, PetraGas Pty Ltd, had applied for a Petroleum Exploration Licence (EL3/2013) covering approximately 3,900 square kilometres, north of Hobart in central Tasmania (refer Figure 5). The tenement application covers part of the petroleum-bearing Tasmania Basin, which is prospective for both conventional and unconventional oil and gas.

This decision by Petratherm to extend into petroleum exploration leverages our core areas of expertise that include basin geology and deep drilling (developed from working on engineered geothermal systems) and our knowledge of the Australian electricity and gas markets.

The license straddles the Tasmanian Gas Pipeline which runs between Hobart and eastern mainland Victoria, allowing potential access to major gas markets (refer Figure 5). The area is a greenfields play and the first year's work will be largely a desktop study assessing historical data to determine its prospectivity.

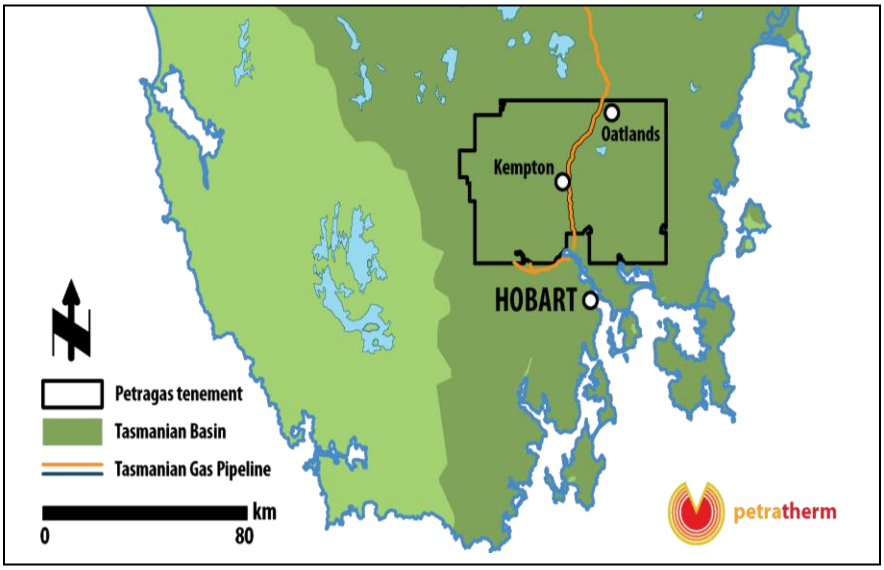

Figure 5 - Location Map of Petroleum Tenement Application Area.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Peter Reid, who appears on the Register of Practicing Geothermal Professionals maintained by the Australian Geothermal Energy Group Incorporated at the time of the publication of this report. Peter Reid is a contract employee of the Company. Peter Reid has sufficient experience which is relevant to the style and type of geothermal play under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Second Edition (2010) of the Australian Code for Reporting Exploration Results, Geothermal Resources and Geothermal Reserves. Peter Reid has consented in writing to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Auditor's independence declaration
The auditor's independence declaration is set out on page 8 and forms part of the directors' report for the half year ended 31 December 2013.

Signed in accordance with a resolution of the directors.

Mr Terry Kallis
Managing Director
14 March 2014

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PETRATHERM LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Petratherm Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 14 March 2014

Interim consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013

	Note	Consolidated Group Half-year ended 31 Dec 2013 $	Consolidated Group Half-year ended 31 Dec 2012 $
Revenue from ordinary activities		22,319	47,987
Impairment of exploration assets	2	(3,107,279)	(16,650)
Employee benefits expense		(189,815)	(287,401)
Depreciation expense		(7,620)	(11,334)
Other expenses		(271,210)	(316,523)
Loss before income tax expense		(3,553,605)	(583,921)
Income tax benefit/(expense)		(27,490)	(25,677)
Loss from continuing operations		(3,581,095)	(609,598)
Loss attributable to members of the parent entity		(3,581,095)	(609,598)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		217,416	54,868
Total comprehensive loss for the period		(3,363,679)	(554,730)

Earnings per share:	*Cents*	*Cents*
Basic earnings per share	(1.90)	(0.39)
Diluted earnings per share	(1.90)	(0.39)

The interim consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial report.

Interim consolidated statement of financial position
As at 31 December 2013

	Note	Consolidated Group 31 December 2013 $	30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents		837,949	877,345
Trade and other receivables		130,839	100,530
Other current assets		26,135	20,713
TOTAL CURRENT ASSETS		994,923	998,588
NON-CURRENT ASSETS			
Property, plant and equipment		56,080	63,700
Exploration and evaluation assets	4	16,524,687	19,310,735
TOTAL NON-CURRENT ASSETS		16,580,767	19,374,435
TOTAL ASSETS		17,575,690	20,373,023
CURRENT LIABILITIES			
Trade and other payables		195,693	182,674
Short-term provisions		5,888	37,754
TOTAL CURRENT LIABILITIES		201,581	220,428
NON-CURRENT LIABILITIES			
Long-term provisions		10,480	15,002
Other non-current liabilities	5	2,898,000	2,898,000
TOTAL NON-CURRENT LIABILITIES		2,908,480	2,913,002
TOTAL LIABILITIES		3,110,061	3,133,430
NET ASSETS		14,465,629	17,239,593
EQUITY			
Issued capital	6	32,814,883	32,225,168
Reserves		196,757	23,391
Retained earnings		(18,546,011)	(15,008,966)
TOTAL EQUITY		14,465,629	17,239,593

The interim consolidated statement of financial position is to be read in conjunction with the notes to the consolidated interim financial report.

Interim consolidated statement of changes in equity
For the half-year ended 31 December 2013

		Consolidated Group				
	Note	Issued Capital Ordinary $	Share Option Reserve $	Foreign Currency Translation Reserve $	Retained Earnings $	Total Equity $
Balance at 1 July 2012		31,450,493	719,986	(931,400)	(14,260,619)	16,978,460
Profit/(Loss) for the period		-	-	54,868	(609,598)	(554,730)
Issue of shares by way of rights issue		847,339	-	-	-	847,339
Exercise of share options		1,499	-	-	-	1,499
Transaction costs (net of tax)		(59,913)	-	-	-	(59,913)
Balance at 31 December 2012		32,239,418	719,986	(876,532)	(14,870,217)	17,212,655
Balance at 1 July 2013		32,225,168	679,336	(655,945)	(15,008,966)	17,239,593
Profit/(Loss) for the period		-	-	217,416	(3,581,095)	(3,363,679)
Issue of shares by way of rights issue		649,587	-	-	-	649,587
Exercise of share options		4,271	-	-	-	4,271
Transaction costs (net of tax)		(64,143)	-	-	-	(64,143)
Transfer from share based payment reserve upon lapse of options		-	(44,050)	-	44,050	-
Balance at 31 December 2013		32,814,883	635,286	(438,529)	(18,546,011)	14,465,629

The interim consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report.

Interim consolidated statement of cash flows
For the half-year ended 31 December 2013

	Consolidated Group	
	Half year ended 31 Dec 2013 $	Half year ended 31 Dec 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(492,076)	(617,512)
Management Fee	1,464	3,464
Interest received	9,078	27,084
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	(481,534)	(586,964)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(2,974)
Joint Venture receipts	-	16,625
Payments for exploration activities	(118,853)	(232,894)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(118,853)	(219,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	653,858	848,838
Payment of transaction costs for issue of shares	(91,633)	(85,590)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	562,225	763,248
Net increase/(decrease) in cash and cash equivalents	(38,162)	(42,959)
Net foreign exchange differences	(1,234)	1,482
Cash at the beginning of the period	877,345	1,314,578
CASH AT THE END OF THE PERIOD	837,949	1,273,101

The interim consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated interim financial report.

Notes to the condensed interim consolidated financial statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

1. Corporate information
The interim consolidated financial statements of the Group for the six months ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 14 March 2014.

Petratherm Ltd is a for profit entity for the purposes of preparing the financial statements. Petratherm Ltd is a limited company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange under the symbol PTR.

2. Basis of preparation and change to the Group's accounting policies

Statement of compliance
The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation
The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised accounting standards
In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period as shown below.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments (effective 1 January 2013)

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

When these standards were first adopted for the year ended 30 June 2014, there was no impact on the transactions and balances recognised in the financial statements.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

There was no impact on the amounts recognised in the financial statements but has added additional disclosures in relation assets and liabilities which are measured using fair values.

(iv) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The Group does not have any defined benefit plans. Therefore, these amendments had no impact on the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group:

The accounting standards that have not been early adopted for the half year ended 31 December 2013 , but will be applicable to the group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the group.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;

The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and the remaining change is presented in profit or loss.

There will be no impact on the Group's accounting for financial assets or liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards. When these amendments are first adopted for the period commencing 1 January 2014, they are unlikely to have any significant impact on the Group.

Notes to the condensed interim consolidated financial statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. When AASB 2012-3 is first adopted for the period commencing 1 January 2014, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

(viii) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to AASB 136)

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

Significant events and transactions

- In the period the Company raised a total of $649,587 by way of a non-renounceable rights issue.

- An impairment of exploration licenses held in Spain reflecting the Company's current cash position and the uncertainty about the projects' future. An impairment of $3,104,141 has been recognised at 31 December 2013 in relation to exploration licenses held in Spain. A further impairment of $3,138 was recognised in relation to exploration assets in Australia. Total impairment recognized for the period ended 31 December 2013 amounted to $3,107,279.

- The Directors remain focused on finding a way to provide a commercial outcome in respect of the projects for shareholders.

3. Segment reporting

Management identifies its operating segments based on the types of business segments encountered by the Group. The Group's four main operating segments are:

- Exploration activities - Australia (Other)
- Exploration activities - Paralana Project
- Exploration activities - Spain.

During the six month period to 31 December 2013, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

3. Segment reporting (continued)

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

	Segment Revenue		Segment Result	
	Half Year ended		Half Year ended	
	31-Dec 2013 $	31-Dec 2012 $	31-Dec 2013 $	31-Dec 2012 $
Continuing Operations				
Australia (ex Paralana)	-	-	(3,138)	(2,970)
Paralana Project	1,464	3,464	-	-
Spain	-	-	(3,104,141)	-
Clean Energy Precinct	-	-	-	(13,680)
	1,464	3,464	(3,107,279)	(16,650)
Finance costs	-	-	-	-
Administration/Corporate	20,855	44,523	(438,706)	(555,937)
Depreciation	-	-	(7,620)	(11,334)
Consolidated revenue	22,319	47,987		
Loss before income tax			(3,553,605)	(583,921)
Income tax expense			(27,490)	(25,677)
Loss from continuing operations			(3,581,095)	(609,598)

The revenue reported above represents revenue generated from financial institutions, investments revenues and management fees earned from joint venture partners. There were no intersegment sales during the period.

Segment profit/(loss) represents the profit or (loss) earned/(incurred) by each segment without allocation of central administration costs, finance costs, depreciation and income tax (expense)/benefit. This is the measure reported to the Managing Director for the purposes of resource allocation and assessment of segment performance.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

3. Segment reporting (continued)

Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. The following is an analysis of the Group's assets by reportable operating segment.

	Opening Balance 1/07/2013 $	Capital Expenditure/ Investment $	Impairment/ Share of loss $	Revaluations /Translations $	Closing Balance 31/12/2013 $
Continuing Operations					
Australia (ex Paralana)	43,812	24,925	(3,138)	-	65,599
Paralana Project	16,440,545	18,543	-	-	16,459,088
Spain	2,826,378	60,347	(3,104,141)	217,416	-
Total segment assets	19,310,735	103,815	(3,107,279)	217,416	16,524,687
Other					
Administration/Corporate	1,062,288				1,051,003
Total Assets	20,373,023				17,575,690

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

4. Exploration and evaluation assets

	Consolidated	
	As at 31 Dec 13 $	As at 30 Jun 13 $
EXPLORATION AND EVALUATION ASSETS		
Exploration and evaluation costs carried forward in respect of Geothermal areas of interest		
Exploration and evaluation phases	16,524,687	19,310,735
	16,524,687	19,310,735

Consolidated entity	**Total**
Capitalised tenement expenditure movement reconciliation	
Balance at the beginning of the period	19,310,735
Additions through expenditure capitalised	103,815
Impairment of expenditure capitalised	(3,107,279)
Translation movement	217,416
Balance at end of year	16,524,687

5. Other non-current liabilities

	Consolidated Group	
	31 December 2013 $	30 June 2013 $
Deferred Government Grant	2,898,000	2,898,000
	2,898,000	2,898,000

Deferred income is in relation to Petratherm's share of the Paralana Joint Venture Geothermal Drilling Program received in prior periods. In accordance with Australian Accounting Standards the grant funds has been recognised as deferred income on the Statement of Financial Position. The deferred income will remain on the Statement of Financial Position until the project is transferred to a development asset.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

6. Issued capital

	Consolidated Group	
	As at 31 Dec 13 $	As at 30 Jun 13 $
Fully paid ordinary shares	32,814,883	32,225,168
	32,814,883	32,225,168

Ordinary shares	Number	$
Balance at beginning of financial period	177,067,166	32,225,168
Shares issued via rights issue	64,973,270	649,587
Exercise of share options	137,515	4,271
Transaction costs (net of tax)	-	(64,143)
Balance at end of the financial period	242,177,951	32,814,883

7. Subsequent events

No subsequent events have occurred after the balance date.

8. Contingent liabilities

There has been no change in contingent liabilities since the last reporting date. It is however noted that the Group has various bank guarantees totaling $192,403 at 31 December 2013 which act as collateral over tenements which Petratherm Ltd operate.

9. Commitments

There has been no material change to the commitments disclosed in the 30 June 2013 annual report.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

10. Going concern basis of accounting

The financial report has been prepared on the basis of a going concern.

The consolidated entity incurred a net loss before tax of $3,553,605 during the period ended 31 December 2013, and had a net cash outflow of $600,387 from operating and investing activities. The consolidated entity continues to be reliant upon completion of capital raising for continued operations and the provision of working capital.

If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

Directors' Declaration

In the opinion of the directors of Petratherm Ltd:

(a) the consolidated financial statements and notes of Petratherm Ltd are in accordance with the Corporations Act 2001, including:

  (i) give a true and fair view of its financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

  (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr Terry Kallis
Managing Director

14 March 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PETRATHERM LTD

We have reviewed the accompanying half-year financial report of Petratherm Ltd ("Entity"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Petratherm Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Petratherm Ltd consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Petratherm Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Petratherm Ltd is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding continuation as a going concern

The consolidated entity incurred a net loss before tax of $3,553,605 during the period ended 31 December 2013, and had a net cash outflow of $600,387 from operating and investing activities. The consolidated entity continues to be reliant upon completion of capital raising for continued operations and provision working capital.

Without qualifying our review conclusion attention is drawn to Note 10 – Going Concern Basis of Accounting in the financial report. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at amounts stated in the financial reports.

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GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 14 March 2014