

Petratherm Limited

ABN 17 106 806 884

Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2016

Petratherm Limited

ABN 17 106 806 884

Contents

For the Half Year Ended 31 December 2016

	Page
Interim Consolidated Financial Statements	
Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	3
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Interim Consolidated Statement of Financial Position	5
Interim Consolidated Statement of Changes in Equity	6
Interim Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	11
Independent Auditor's Review Report	12

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Directors' Report

For the Half Year Ended 31 December 2016

The directors submit the interim consolidated financial report of the the Group for the half year ended 31 December 2016.

Information on directors

The names of each person who has been a director during the half year and to the date of this report are:

Simon O'Loughlin	Non-Executive Chairman
Andrew Haythorpe	Managing Director (appointed 22 August 2016)
Donald Stephens	Non-Executive Director
Terry Kallis	Managing Director (retired 22 August 2016)

Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial half year were:

- To continue to seek extensions of areas held and to seek out new areas with mineral potential; and
- To facilitate the rehabilitation of the Paralana 2 geothermal well

There were no significant changes in the nature of the Group's principal activities during the financial half year.

Operating results

The Group's loss for half year ended 31 December 2016 amounted to \$ 476,807 (2015: \$234,952), after providing for income tax.

Review of operations

Operating Costs

During the reporting period, the Company had ongoing administration costs of \$476,807 primarily relating to reporting & compliance, due diligence review and office costs. The Company held \$969,161 in cash at the end of the reporting period.

Business Acquisition

In May 2016, the Company entered into a conditional deal to acquire MSGooroo Pty Ltd (MSGooroo), a human resource technology company. In July 2016, the deal was terminated and all costs incurred by Petratherm in relation to the deal had been reimbursed by MSGooroo.

Capital Raising and Restructure

During the period, a total of \$676,500 (before costs) was received by way of a placement, at a price of \$0.003 per share, undertaken by Taylor Collision. In November 2016, the Company completed a ten for one consolidation of its shares and options.

Paralana Geothermal Project – South Australia (79% Petratherm, 21% Beach Energy)

Beach Energy completed planning studies to undertake the plugging and abandonment of the Paralana 2 geothermal well and surface rehabilitation of the Paralana site. At this stage the remediation works are scheduled to occur mid-2017.

The Company is continuing to explore ways of containing costs whilst reviewing new projects that will be accretive to shareholder value.

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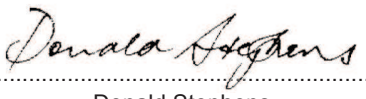
Directors' Report
For the Half Year Ended 31 December 2016

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2016 has been received and can be found on page 3 of the interim consolidated financial report.

This report is signed in accordance with a resolution of the Board of Directors.

Director: 
Andrew Haythorpe

Director: 
Donald Stephens

Dated this 14th day of March 2017

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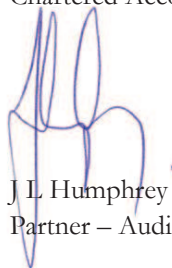
AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PETRATHERM LIMITED

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 2016, 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 2017

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Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2016

	31 December 2016	31 December 2015
Note	\$	\$
Revenue	4,533	5,774
Employee benefits expense	(93,237)	(61,378)
Impairment of exploration asset	-	(34,761)
Share-based payments	6 (130,034)	-
Other operating expenses	(245,056)	(121,186)
Loss on exchange differences	-	(8,470)
Loss before income tax	(463,794)	(220,021)
Income tax expense	(13,013)	(14,931)
Loss attributable to members of the parent entity	(476,807)	(234,952)
Other comprehensive income	-	-
Total comprehensive loss for the period attributable to members of the parent entity	(476,807)	(234,952)
Earnings per share		
Basic earnings per share (cents)	(0.53)	(0.40)
Diluted earnings per share (cents)	(0.53)	(0.40)

The accompanying notes form part of these financial statements.

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**Interim Consolidated Statement of Financial Position
As At 31 December 2016**

	31 December 2016	30 June 2016
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	969,161	663,592
Trade and other receivables	20,475	49,992
Other assets	7,708	-
TOTAL CURRENT ASSETS	997,344	713,584
NON-CURRENT ASSETS		
TOTAL ASSETS	997,344	713,584
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	36,197	63,857
Short-term provisions	241,000	225,000
TOTAL CURRENT LIABILITIES	277,197	288,857
NON-CURRENT LIABILITIES		
TOTAL LIABILITIES	277,197	288,857
NET ASSETS	720,147	424,727
EQUITY		
Issued capital	34,760,564	34,118,371
Reserves	175,134	45,100
Accumulated losses	(34,215,551)	(33,738,744)
TOTAL EQUITY	720,147	424,727

The accompanying notes form part of these financial statements.

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ABN 17 106 806 884

Interim Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2016

	Issued Capital	Accumulated Losses	Share Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2016	34,118,371	(33,738,744)	45,100	424,727
Total comprehensive profit / (loss)	-	(476,807)	-	(476,807)
Transactions with owners in their capacity as owners				
Share-based payments	-	-	130,034	130,034
Issue of shares	676,500	-	-	676,500
Transaction costs	(47,320)	-	-	(47,320)
Tax portion of capital raising costs	13,013	-	-	13,013
Balance at 31 December 2016	34,760,564	(34,215,551)	175,134	720,147
Balance at 1 July 2015	33,429,895	(33,239,106)	154,386	345,175
Total comprehensive profit / (loss)	-	(234,952)	-	(234,952)
Transactions with owners in their capacity as owners				
Issue of shares	150,000	-	-	150,000
Transaction costs	(34,839)	-	-	(34,839)
Transfer to retained earnings from share option reserve upon lapse of options	-	43,200	(43,200)	-
Balance at 31 December 2015	33,545,056	(33,430,858)	111,186	225,384

The accompanying notes form part of these financial statements.

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Interim Consolidated Statement of Cash Flows For the Half Year Ended 31 December 2016

	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers and employees	(328,144)	(199,513)
Management fee	-	2,143
Interest received	4,533	3,631
Net cash provided by (used in) operating activities	(323,611)	(193,739)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for exploration activities	-	(66,752)
Net cash used by investing activities	-	(66,752)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	676,500	150,000
Payment of transaction costs	(47,320)	(21,493)
Net cash provided by financing activities	629,180	128,507
Net increase (decrease) in cash and cash equivalents held	305,569	(131,984)
Cash and cash equivalents at beginning of year	663,592	527,201
Net foreign exchange differences	-	(1,895)
Cash and cash equivalents at end of the half year	969,161	393,322

The accompanying notes form part of these financial statements.

Petratherm Limited

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Notes to the Financial Statements For the Half Year Ended 31 December 2016

The interim consolidated financial report covers Petratherm Limited and its controlled entities ('the Group'). Petratherm Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 13 March 2017.

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2016 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Petratherm Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

2 Operating Segments

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and has concluded at this time that there are no separately identifiable segments.

3 Provisions

	31 December 2016	30 June 2016
	\$	\$
CURRENT		
Environmental Rehabilitation	<u>241,000</u>	225,000
	<u>241,000</u>	<u>225,000</u>

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ABN 17 106 806 884

Notes to the Financial Statements For the Half Year Ended 31 December 2016

4 Issued Capital

	31 December 2016	30 June 2016
	\$	\$
Fully paid ordinary shares	34,760,564	34,118,371
Total	34,760,564	34,118,371

(a) Ordinary shares

	31 December 2016	30 June 2016
	No.	No.
At the beginning of the reporting period	777,570,139	519,692,579
Shares issued during the year		
- Shares issued via rights issue	-	207,877,560
- Shares issued via placement	-	50,000,000
- Share placement - tranche 1	130,000,000	-
- Share placement - tranche 2 part 1	40,500,000	-
- Effect of share consolidation	(853,262,636)	-
- Share placement - tranche 2 part 2	5,500,000	-
At the end of the reporting period	100,307,503	777,570,139

The Company completed a ten for one share consolidation on 14 November 2016. The consolidation involved the conversion of every ten fully paid ordinary shares into one fully paid ordinary share. Where the consolidation resulted in a shareholder having a fractional entitlement to a share, the Company has rounded up the entitlement to the next whole number.

5 Contingencies & Commitments

Group has entered into a bank guarantee with the South Australian State Government, totalling \$100,000 at 31 December 2016. This guarantee is designed to act as collateral over the tenement which Petratherm explores on and can be used by the State Government authorities in the event that Petratherm does not sufficiently rehabilitate the land it explores. It is noted that the bank guarantee as at the date of signing this report has not been utilised by the State Government.

Other than disclosed, the Company did not have any other contingencies or commitments at 31 December 2016.

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Notes to the Financial Statements For the Half Year Ended 31 December 2016

6 Share-based Payments

A summary of the Company options issued during the period (post consolidation) is as follows:

2017 Half year		Exercise price	Start of the year	Granted during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Grant Date	Expiry Date					
24 November 2016	24 November 2019	0.05	-	3,500,000	3,500,000	3,500,000
24 November 2016	24 November 2019	0.09	-	1,500,000	1,500,000	1,500,000
24 November 2016	24 November 2019	0.12	-	2,000,000	2,000,000	2,000,000
				-	7,000,000	7,000,000

The above options were granted to the Directors as a part of their remuneration. The expenses recognised during the period was \$130,034. The fair value of the options granted during the period were calculated by using a Black-Scholes option pricing model applying the following inputs:

Grant date:	24 November 2016	24 November 2016	24 November 2016
Expiry date:	24 November 2019	24 November 2019	24 November 2019
Share price at grant date (\$):	0.03	0.03	0.03
Exercise price (\$):	0.05	0.09	0.12
Expected share price volatility:	130.06 %	130.06 %	130.06 %
Risk-free interest rate:	1.86 %	1.86 %	1.86 %
Fair value at grant date (\$):	71,115.00	26,442.00	32,477.00

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Directors' Declaration

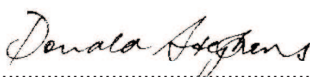
The directors of the Company declare that:

1. The interim consolidated financial statements and notes, as set out on pages 4 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) giving a true and fair view of the consolidated group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Andrew Haythorpe

Director

Donald Stephens

Dated this 14th day of March 2017

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

We have reviewed the accompanying half-year financial report of Petratherm Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, 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 Company 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 Limited 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 consolidated entity's financial position as at 31 December 2016 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 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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*.

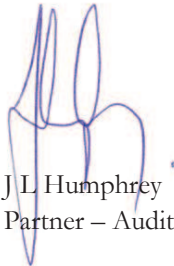
Conclusion

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 Limited 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 2016 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*.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 14 March 2017