

Petratherm Limited

ABN 17 106 806 884

Interim Report - 31 December 2020

Petratherm Limited
Corporate directory
For the half-year ended 31 December 2020

| | |
|-----------------------------|---|
| Directors | Derek Carter Simon O'Loughlin Donald Stephens |
| Company secretary | Donald Stephens |
| Registered office | C/- HLB Mann Judd (SA) Pty Ltd 169 Fullarton Road DULWICH SA 5065 |
| Principal place of business | C/- HLB Mann Judd (SA) Pty Ltd 169 Fullarton Road DULWICH SA 5065 |
| Share register | Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street ADELAIDE SA 5000 |
| Auditor | Grant Thornton Audit Pty Ltd Level 3, 170 Frome Street ADELAIDE SA 5000 |
| Solicitors | O'Loughlins Lawyers Level 2, 99 Frome Street ADELAIDE SA 5000 |
| Bankers | National Australia Bank 22 - 28 King William Street ADELAIDE SA 5000 |
| Stock exchange listing | Petratherm Limited shares are listed on the Australian Securities Exchange (ASX code: PTR) |
| Website | www.petratherm.com.au |

Petratherm Limited
Directors' report
For the half-year ended 31 December 2020

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Petratherm Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were Directors of Petratherm Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Derek Carter (Non-Executive Chairman)
Simon O'Loughlin (Non-Executive Director)
Donald Stephens (Non-Executive Director)

Principal activities

During the financial half-year the principal continuing activities of the Group consisted of:

- The sale of the Company's Victorian Gold Project Assets to a Canadian listed exploration company, Skarb Exploration Corp. ("Skarb") was successfully closed on 16 December 2020. The share sale agreement has an implied value of CAD\$ 18,000,000.
- The transaction enables the Victorian gold assets to be housed in a well-funded Victorian gold exploration company with a mandate to conduct exploration on a large scale.
- Prior to completion of the transaction, Skarb changed its name to Outback Goldfields Corp. ("Outback Goldfields"), raised CAD\$11.406m and completed a 3:1 capital consolidation.
- As a result of these changes, under the successful completion of the transaction, Outback Goldfields acquired all of Petratherm's Victorian gold projects and in return issued Petratherm with 33,333,333 shares in Outback Goldfields, which represents a 57% ownership interest. The shares will be distributed in-specie to Petratherm's shareholders upon completion of the distribution wait period ending 16 April 2021.
- In South Australia, infill gravity surveying over the Area 13 and Area 15 anomalies at the Company's Mabel Creek Project was completed and final drill collar positions have been defined.
- Drilling of these targets along with follow up drill testing at Area 5 Prospect, where previous drilling identified Olympic Dam Style Copper-Gold alteration, is scheduled to start in the March 2021 Quarter.
- Ground exploration activities to start in the March 2021 Quarter at the Comet Gold Project Area, where historical drilling includes multiple shallow gold intersections, which are open at depth and along strike.

Review of Operations

The profit for the Group after providing for income tax amounted to \$18,195,255 (31 December 2019: loss of \$262,569). The Directors have assessed that the Group has sufficient available tax losses to offset the profit on the sale of assets.

Petratherm Limited ("the Company/ Petratherm") made significant progress during the period with the completion of the sale of its Victorian Gold Project Assets to the Canadian Securities Exchange ("CSE") listed Outback Goldfields Corp. (formally Skarb Exploration Corp.). Petratherm received as consideration for the sale 33,333,333 shares which represents a 57% ownership interest. The share sale transaction has an initial implied value of CAN\$18,000,000. The sale unlocks the value of its Victorian Gold Project Portfolio for our shareholders and ensures these projects are well funded going forward.

In South Australia, following the Company's encouraging drilling results at its Mabel Creek Project, where pervasive Olympic Dam Style Copper-Gold alteration was encountered (refer to PTR ASX release 30/07/20) at the Area 5 Prospect, a second round of drilling of this anomaly and several other high tenor Olympic Dam Style gravity targets is planned for the first quarter of 2021. In addition, significant regional ground exploration works are scheduled to begin at the Company's Comet Gold Project in the next quarter, where historical drilling includes multiple shallow gold intersections.

In November Petratherm received firm commitments to raise \$2.16M by way of placement of new shares with funds to be used to expedite exploration on the Company's Mabel Creek and Comet Gold Projects. The Company held \$3,949,000 cash at the end of the Period. A summary of ground activities during the period is presented below:

Victorian Gold Assets Sale

In October (refer to PTR ASX Announcement 12/10/20), Petratherm executed a Definitive Agreement to sell the Company's Victorian Gold Project Assets to Skarb Exploration Corp. ("Skarb"), a Canadian mineral exploration company listed on the Canadian Securities Exchange ("CSE") ("Transaction").

Prior to completion of the Transaction, Skarb changed its name to Outback Goldfields Corp. ("Outback Goldfields"), raised CAD\$11.406m through a non-brokered private placement of 57,030,000 shares at CAD\$0.20 and subsequently completed a 3:1 capital consolidation. Outback Goldfields new trading symbol on the CSE is "OZ".

The Transaction has resulted in Outback Goldfields acquiring the Company's gold projects located in Victoria, Australia ("the Project"), comprising of the following assets:

- Yuengroon Gold Project (EL 6897 & ELA 7280)
- Silver Spoon Gold Project (ELA 6951)
- Glenfine Gold Project Farm-In & Joint Venture (EL 5434, EL 5537 & EL 5344)
- Ballarat West Gold Project (ELA 7276)

In return for the Project, Outback Goldfields has issued 33,333,333 shares ("Consideration Shares") to the Company. The Consideration Shares represent a 57% ownership interest in Outback Goldfields.

A 125-day Distribution Wait Period has commenced, at the conclusion of which, the Company will distribute the Consideration Shares in specie to shareholders, pro rata in accordance with their shareholdings in the Company. The Distribution Wait Period ends on 16 April 2021. The Record Date for determining entitlements to the Consideration Shares will be at the end of the Distribution Wait Period.

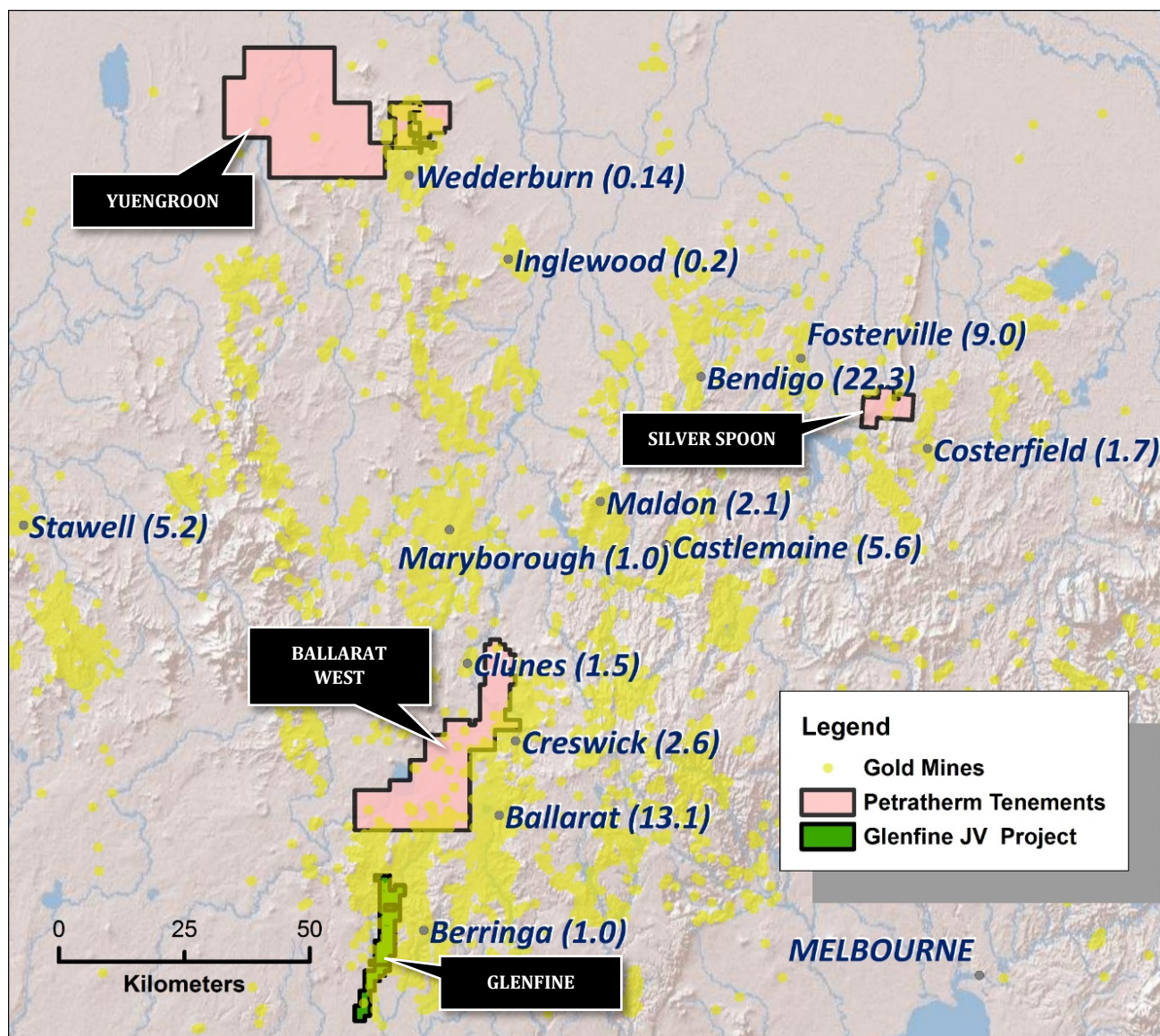


Figure 1 Petratherm's Victorian Gold Assets

Mabel Creek Project

The Mabel Creek Ridge, 50 kilometres northeast of Coober Pedy in South Australia, is considered prospective for Olympic Dam Style Copper-Gold mineralised systems and related magnetite skarn copper and high value rare-earths. The Project comprises four granted tenements (EL's 6332, 6333, 6404 & 6405) totalling 2,852 km² (Figure 2).

The Company is encouraged by the evidence of Iron-Oxide Copper-Gold (IOCG) style alteration encountered in its maiden drill campaign at the Area 5 North Target Area (refer to PTR ASX release 25/06/20). This is a large geophysical anomaly spanning several square kilometres and the alteration observed may indicate other portions of this anomaly could be mineralised, warranting further geophysical surveying and test drilling.

During the period, the Company completed additional infill gravity surveying of two high priority gravity anomalies (Areas 13 & 15) which will be drill tested for Olympic Dam Style, Iron Oxide - Copper Gold (IOCG) mineralisation in early 2021 (Figures 3 and 4).

The Area 13 Target is a high magnitude gravity anomaly of approximately 6 milligals and is semi co-incident with a magnetic anomaly (Figure 3). 2D and 3D modelling suggests the dense body starts between 400 and 500 metres depth. The Area 15 Target (Figures 2 & 4) is a discrete combined magnetic and gravity anomaly which occurs on the fringe of a broad zone which shows increased magnetic intensity that may be reflecting an area of increased hydrothermal activity.

Modelling of the Area 15 body suggests it starts at between 300 and 400 metres depth. A drilling rig has been secured with MJ Drilling and drilling operations are scheduled to begin early March 2021.

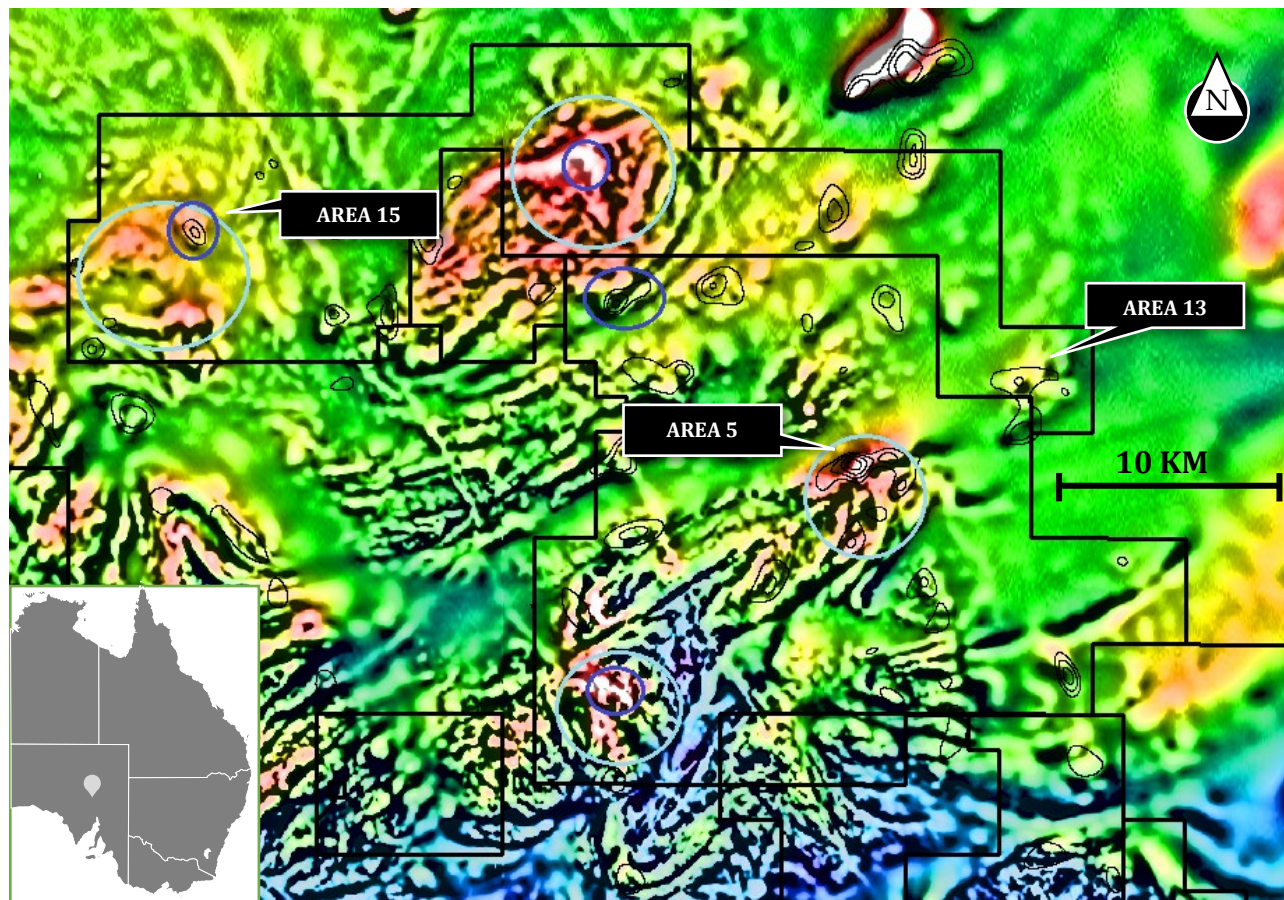


Figure 2 Aeromagnetic image over the Eastern Mabel Creek Project Tenements. Key prospects and other residual gravity anomalies (contours) shown. The light blue circles highlight zones of increased magnetic intensity which may be indicating potential hydrothermal alteration centres.

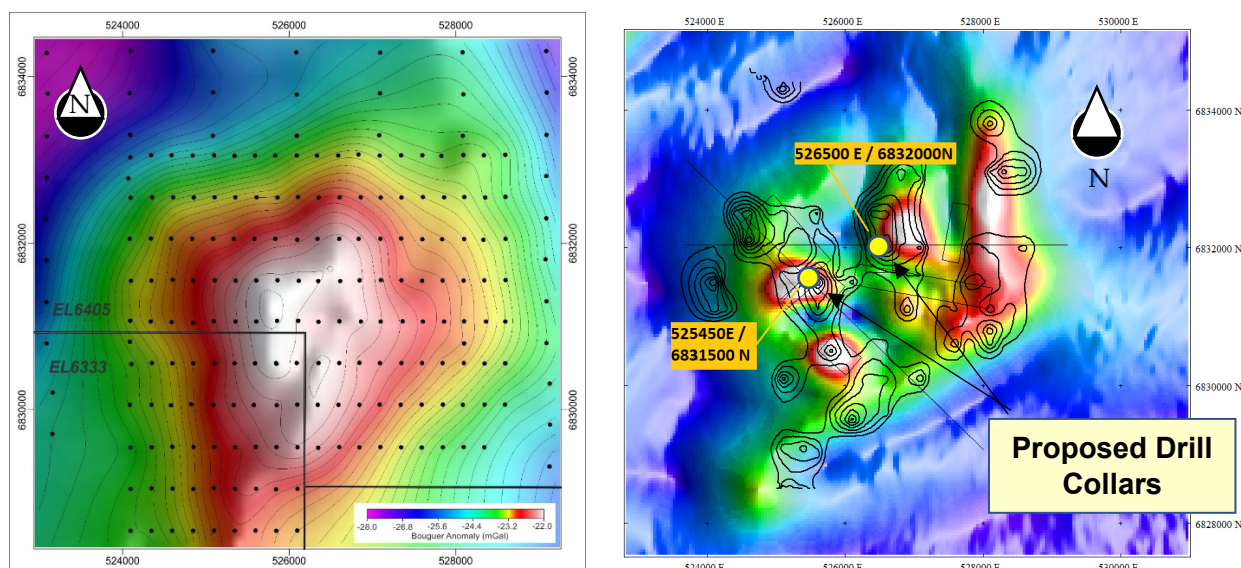


Figure 3 Area 13 Target Bouguer Gravity Anomaly (Left) and Residual Gravity Contours overlying a VRMI Magnetic Image (Right). Area 13 is a strong gravity target of 6 milligals and has been modelled to start at approximately 400 to 500 metres depth. Proposed drill collar positions shown will test residual gravity target centres partially overlapping magnetic features.

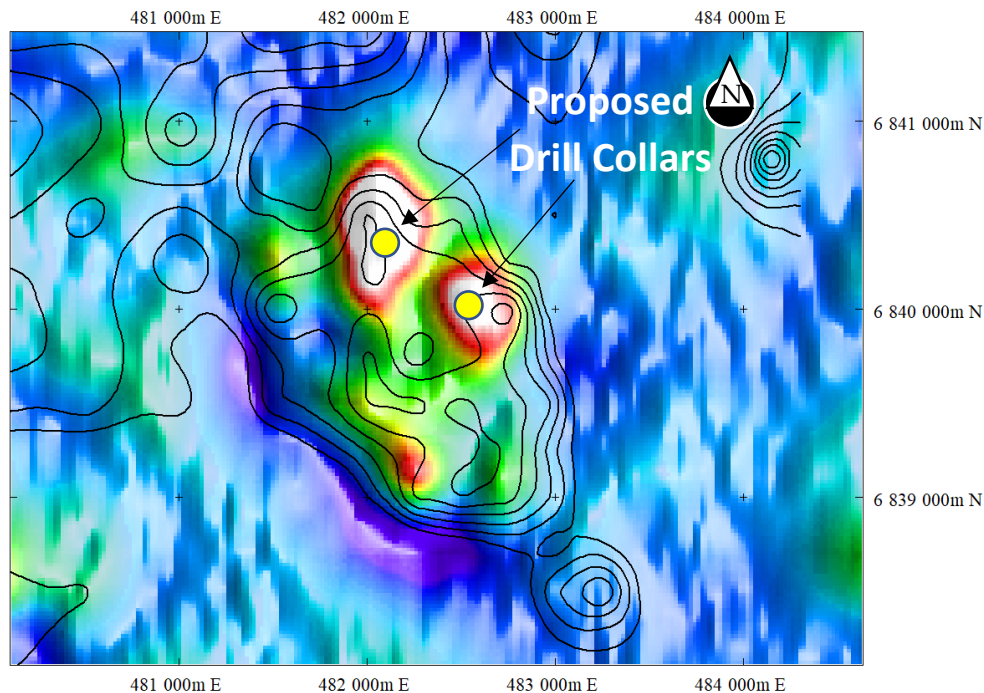


Figure 4 Area 15 gradient gravity contours overlain on gradient aeromagnetic image. Gravity contours define target centres (preferred drill collar positions shown - yellow dots) partially overlapping magnetic features. Depth to top of body is modelled at approximately 400 metres.

Comet and Gina Projects - North Gawler Craton (SA) Gold Potential

In November, the Company acquired a large exploration licence application area covering 934 km² (ELA 2020/0194 – “Gina Project”) over a portion of the North Eastern Gawler Craton of South Australia. The new tenement partly co-joins the Company’s existing Comet Gold Project (EL6443), increasing its tenure position in the resurgent gold prospective province and extends eastwards over down-faulted zones that may be prospective for Olympic Dam Style copper and gold mineralisation (Figure’s 5 and 7).

The western half of tenement application area covers a portion of the Archaean Mulgathing Complex, which is the host of numerous significant gold occurrences such as the Challenger gold deposit (1.1 Moz @ 5.1 g/t Au) and the Aurora Tank gold discovery (i.e., MEU ASX release 04/11/20).

The area includes the Target 14 Prospect (Figures 5 & 6) which was discovered in 2002 by Redport Limited during a regional reconnaissance RAB drilling program targeting a shear/fault structure interpreted from the regional aeromagnetic data. The prospect area is blanketed by sandy transported cover and no gold anomalism was identified from previous calcrete soil geochemical sampling. The drilling comprised vertical holes at 100 metre spacing along two short RAB drill traverses 1200 metres apart (Figure 6). On the south western line, the last 2 eastern holes recorded highly anomalous gold (Figure 6) with drill hole RED 16, at the end of the southern drilling traverse, intersecting 9 m @ 105 ppb Au from 32 metres to the end of hole (EOH) at 41 metres (refer to PTR ASX release 03/12/2020).

These drill intercepts are consistent with the magnitude of gold anomalism observed on the immediate fringe or in some weathered/leached portions of other primary gold occurrences found elsewhere in the northern Gawler Craton. The anomalous gold zone is open in all directions and follow up step out and infill drill testing is proposed.

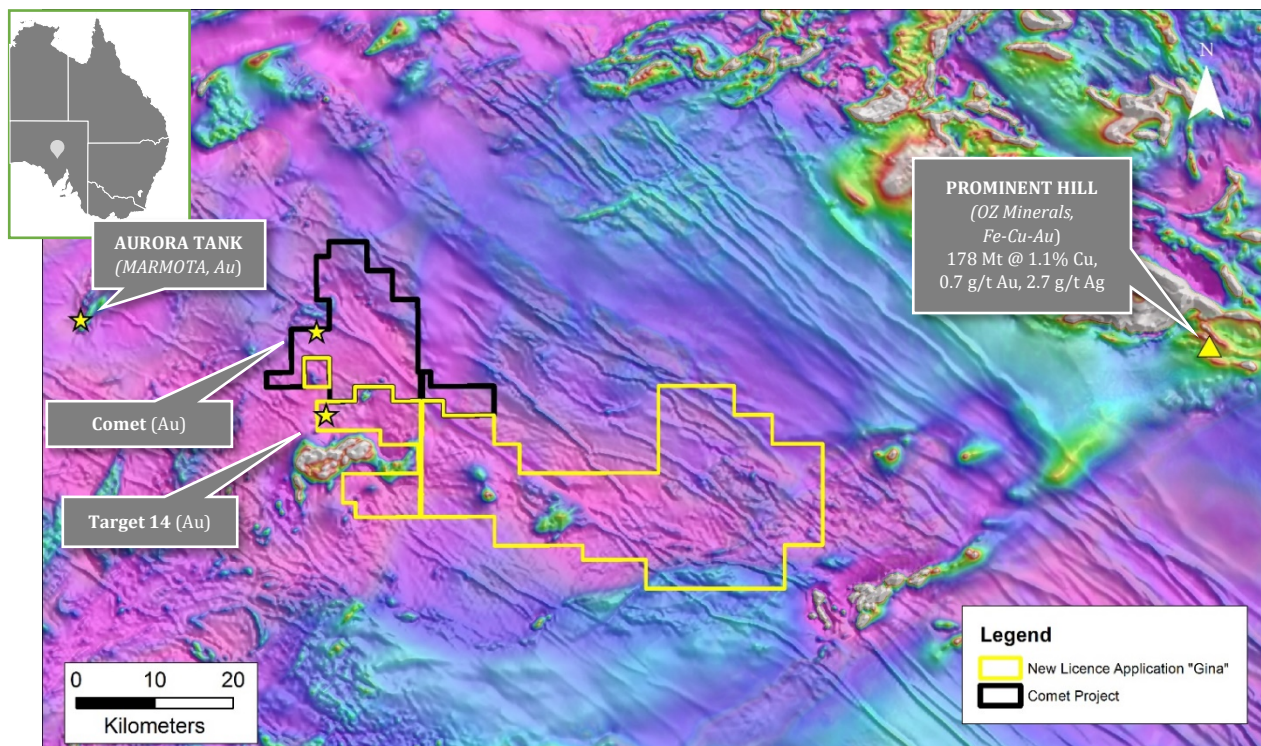


Figure 5: Aeromagnetic image over the north eastern Gawler Craton showing the Comet and Gina Project Areas and mines/mineral prospects.

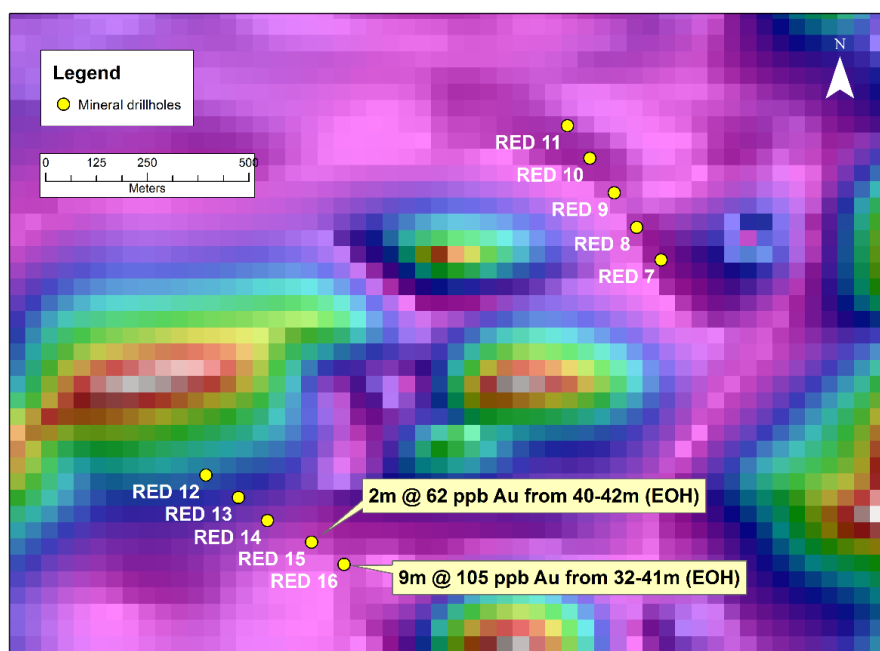


Figure 6 Target 14 Prospect – Historical vertical RAB drill collars and anomalous gold drill intercepts overlain on an aeromagnetic image. Note drill holes RED 15 & 16 ended in anomalous gold and is open at depth and to the southeast.

A priority for the Company, will be the follow up drill testing of the Target 14 Gold Prospect along with the Comet Gold Prospect which has been previously described in earlier public reported (refer to PTR ASX release 30/09/20). In February 2021 just after the current reporting period, heritage clearance surveying was completed, paving the way to for extensive ground exploration operations to begin.

One of the key challenges for mineral explorers in the region is the sandy transported cover sediment masking any mineralisation which may occur in the older basement rock below.

To overcome this the Company will undertake a regional geochemical sampling program using a light RAB drill rig mounted on a 4WD Toyota ute to drill through the transported cover and sample directly the top of the highly weathered bedrock (saprolite) which occurs in most areas at 5 to 10 metres depth. The top of saprolite zone typically contains highly elevated remnant gold anomalism above any primary gold mineralisation in the fresh bedrock below. The regional deep geochemical sampling program is scheduled to start in March 2021, with drilling operations at Comet and other gold prospects to start during the second quarter of 2021.

Gina Project - Iron Oxide - Copper Gold (IOCG) Potential

On the eastern side of the new tenement application area, the basement terrain is down faulted by a series of major northwest trending faults forming a sub-basin, with the opposite, eastern up faulted edge defined by the Mt Woods Inlier (Figure 7). Perched on the eastern up faulted edge of the sub-basin, the world-class Prominent Hill Cu-Au deposit occurs (178 Mt @ 1.1% Cu, 0.7 g/t Au, 2.7 g/t Ag).

Petratherm postulate that these major extensional fault systems, and associated major transfer faults and splays, are critical to the localisation of IOCG style mineralisation and that the western edge of this faulted sub-basin may also be prospective for IOCG's. Several regional gravity anomalies are evident from the open file South Australian Geological Survey data in the new application area (Figure 7) and warrant further investigation. For the eastern IOCG prospective areas the Company proposes as a first step to undertake infill gravity surveying of anomalous gravity areas during the 2021 period to allow modelling and characterisation of prospective geophysical targets for later drill testing.

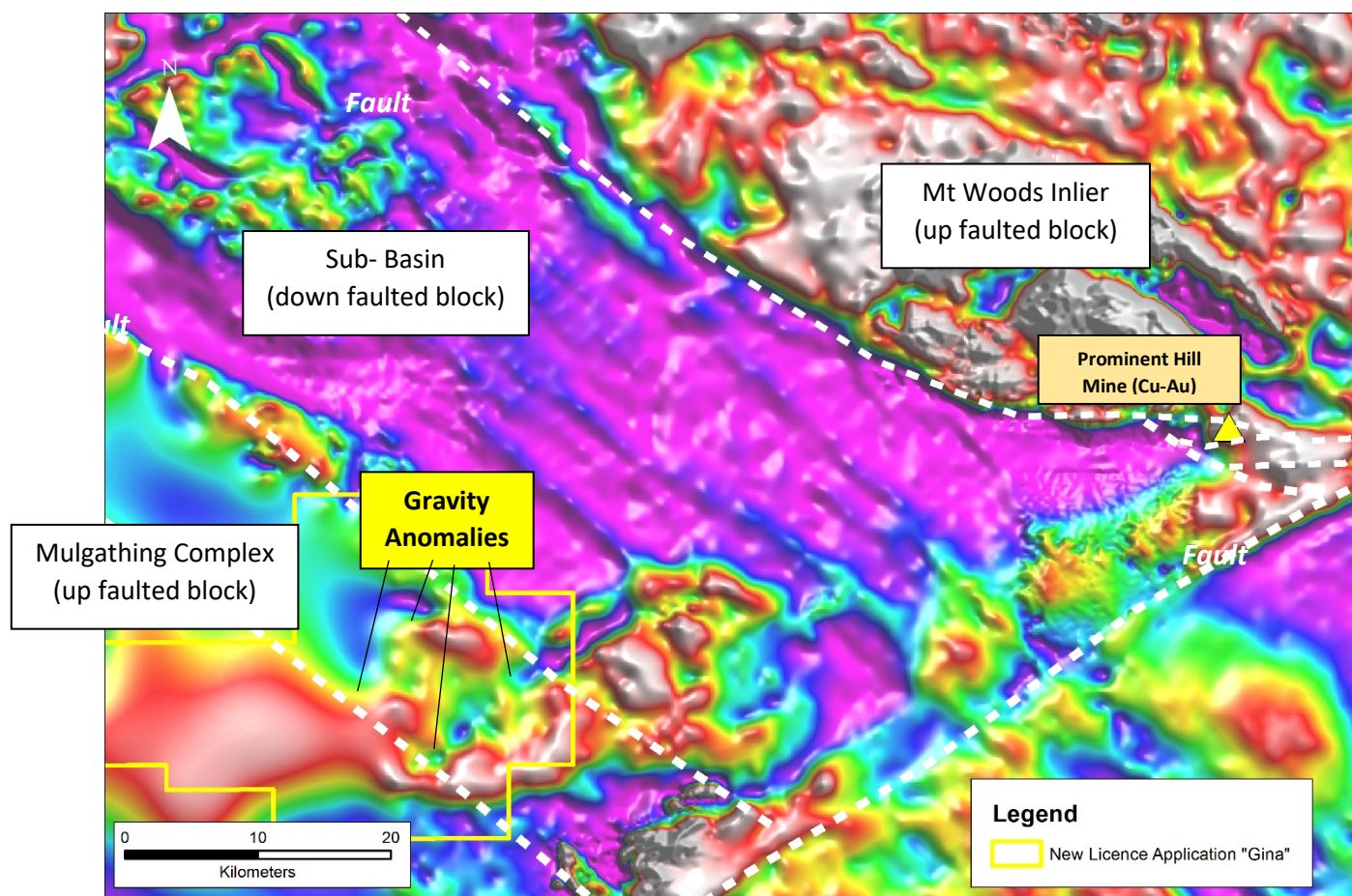


Figure 7 Residual Gravity Image of the eastern “Gina” Application and Prominent Hill Mine Area. Note schematic fault overlay (dashed lines) highlighting prominent NW trending down faulted zone defining a sub-basin. On the eastern faulted basin edge the Prominent Hill mine occurs and the Company aims to explore the opposing western faulted side where several regional gravity anomalies are evident.

Petratherm Limited
Directors' report
For the half-year ended 31 December 2020

Significant changes in the state of affairs

Sale of Victorian Gold Project Assets

On 16 December 2020 the Company completed a transaction to sell its Victorian gold project assets to Outback Goldfields Corp. ("Outback Goldfields") in exchange for shares in Outback Goldfields.

Further information on the sale is set out in note 6.

Return of Capital

On 11 December 2020 shareholder approval was obtained to distribute the consideration shares received from the transaction to sell the Company's Victorian gold project assets in-specie to Petratherm's shareholders. The distribution will take place by way of return of capital on a pro-rata basis in accordance with each shareholder's shareholding in the Company.

The in-specie distribution/return of capital to Petratherm's shareholders is subject to a distribution wait period ending 16 April 2021 in accordance with statutory requirements of the Canadian Stock Exchange. The record date for determining entitlements to the Consideration Shares will be at the end of the distribution wait period.

Capital Raising

In November 2020 Petratherm received firm commitments from sophisticated investors to raise \$2.16m by way of placement of 14,285,714 new fully paid ordinary shares with funds to be used to expedite exploration of the Company's Mabel Creek and Comet Gold Projects. The placement shares were issued on 1 December 2020.

In addition, each Director has also agreed to subscribe for \$50,000 worth of shares at the placement price, subject to obtaining shareholder approval. The Company's Exploration Manager has also agreed to subscribe for \$10,000 worth of shares at the placement price (together comprising a total of 1,142,857 additional shares).

Surrender of Paralana Joint Venture Project

In November 2020 the Company received formal confirmation from the Department for Energy and Mining that it had successfully surrendered Geothermal Exploration Licence GEL 156 held jointly by the Company's wholly-owned subsidiary MNGI Pty Ltd and Beach Energy Limited.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year

Outback Goldfields announces exploration program in Victoria

On January 15 2021 Outback Goldfields Corp. (Outback Goldfields) announced the commencement of a Phase 1 exploration program on its highly prospective gold projects located in the Victorian goldfields of Australia.

Two of Outback Goldfields' four key assets (Glenfine & Yuengroon) will be subject to significant exploration programs starting in Q1 of 2021. Outback Goldfields announced the commencement of diamond drilling at its Glenfine project on February 16 2021. A diamond drill has been mobilised to commence 4,000 metres of drilling, targeting high-grade gold mineralisation at two priority targets. Geological crews have started property-scale rock and soil sampling programs.

On March 3 2021 Outback Goldfields announced the commencement of a large airborne geophysical survey over the prospective Yuengroon project. The high-resolution, 8,000 line kilometer magnetic and radiometric survey marks an important step in Outback Goldfields' plans to systematically advance the Yuengroon project and refine exploration targets. A soil geochemical survey aimed at defining the mineralisation potential of key structures and structural intersections will be completed following the geophysical survey. Follow-up top of bedrock RAB drilling of defined coincident geophysical and geochemical anomalies is also planned to assist with refining new drill targets.

Issue of placement shares to Directors

In November 2020 the Company announced that it had received firm commitments to raise \$2.16M through a share placement. Each Director of the Company agreed to subscribe for \$50,000 worth of fully paid ordinary shares at the placement price of \$0.14 per share subject to obtaining shareholder approval.

Shareholder approval was granted to the Directors at an extraordinary general meeting on 29 January 2021. The shares were issued to Directors on February 12 2021.

Petratherm Limited
Directors' report
For the half-year ended 31 December 2020

Drilling operations at Mabel Creek and Comet Projects

On February 19 2021 the Company announced an update to its drilling operations. The Company has completed extensive Native Heritage surveying over both its Mabel Creek and Comet Project Areas in South Australia. Surveying was conducted in late January 2021 to seek a clearance to drill multiple Olympic Dam Style geophysical targets. In early February 2021, the Company completed further heritage surveying over the Western Mabel Creek Project Area and at the Company's Comet and Gina Project Areas. Extensive ground exploration works can now begin.

The Company has finalised drilling provisions at Mabel Creek with the South Australian Department for Energy and Mining Regulator and a drilling rig has been secured. Drilling operations at Mabel Creek are scheduled to begin in the second week of March 2021.

The Company's regional shallow RAB drilling program at the Comet Project Area is scheduled to start in mid-March 2021. The first phase of shallow RAB drilling will evaluate an approximate 100 km² area over the western half of the Comet Project Area. The ground exploration works at both Mabel Creek and Comet are likely to continue through to the end of April 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Derek Carter
Chairman

16 March 2021

Auditor's Independence Declaration

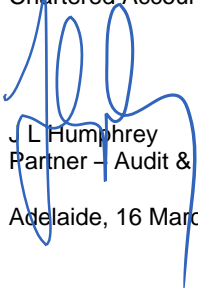
To the Directors of Petratherm Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Petratherm Limited for the year ended 31 December 2020, 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 AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 16 March 2021

Petratherm Limited
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For the half-year ended 31 December 2020

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Petratherm Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

| | | Consolidated | |
|--|-------------|-------------------------|-------------------------|
| | Note | 31 December 2020 | 31 December 2019 |
| | | \$ | \$ |
| Revenue | | | |
| Bank interest received or receivable | | 6,594 | 21,432 |
| Gain on sale of tenements to Outback Goldfields Corp. | 6 | 18,520,909 | - |
| Other income | | 31,794 | 16,123 |
| Expenses | | | |
| Other expenses | 5 | (147,796) | (80,480) |
| Employee benefits expense | | (63,565) | (75,659) |
| Secretarial, professional and consultancy | | (85,707) | (60,821) |
| Tenement impairment expenses | 7 | (6,078) | (3,428) |
| Exploration expenses | | (58,594) | (43,053) |
| Environmental rehabilitation expenses | | (2,302) | (36,683) |
| Profit/(loss) before income tax expense | | 18,195,255 | (262,569) |
| Income tax expense | | - | - |
| Profit/(loss) after income tax expense for the half-year attributable to the Owners of Petratherm Limited | | 18,195,255 | (262,569) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax | | 27,179,399 | - |
| Other comprehensive income for the half-year, net of tax | | 27,179,399 | - |
| Total comprehensive income for the half-year attributable to the Owners of Petratherm Limited | | 45,374,654 | (262,569) |
| | | Cents | Cents |
| Basic earnings per share | 11 | 10.46 | (0.15) |
| Diluted earnings per share | 11 | 9.92 | (0.15) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Petratherm Limited
Statement of financial position
As at 31 December 2020

| | | Consolidated | |
|---|-------------|---------------------|---------------------|
| | Note | 31 December | 30 June 2020 |
| | | 2020 | 2020 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 3,948,986 | 2,442,907 |
| Trade and other receivables | | 16,269 | 33,689 |
| Other assets | | 12,881 | 5,826 |
| | | <u>3,978,136</u> | <u>2,482,422</u> |
| Beneficial interest in Outback Goldfields Corp shares classified as held for distribution to owners | 6 | 45,834,182 | - |
| Total current assets | | <u>49,812,318</u> | <u>2,482,422</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 2,423 | - |
| Exploration and evaluation assets | 7 | 919,030 | 949,042 |
| Total non-current assets | | <u>921,453</u> | <u>949,042</u> |
| Total assets | | <u>50,733,771</u> | <u>3,431,464</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 53,243 | 94,889 |
| Employee benefits | | 25,577 | 23,962 |
| Return of capital distribution payable | 8 | 45,834,182 | - |
| Total current liabilities | | <u>45,913,002</u> | <u>118,851</u> |
| Total liabilities | | <u>45,913,002</u> | <u>118,851</u> |
| Net assets | | <u>4,820,769</u> | <u>3,312,613</u> |
| Equity | | | |
| Issued capital | 8 | 22,407,513 | 39,061,984 |
| Reserves | | 108,208 | 140,836 |
| Accumulated losses | | (17,694,952) | (35,890,207) |
| Total equity | | <u>4,820,769</u> | <u>3,312,613</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

Petratherm Limited
Statement of changes in equity
For the half-year ended 31 December 2020

| Consolidated | Issued capital \$ | Share-based payments reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------|--|----------------------------------|----------------------------|
| Balance at 1 July 2019 | 39,061,984 | 270,870 | (35,565,229) | 3,767,625 |
| Loss after income tax expense for the half-year | - | - | (262,569) | (262,569) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income for the half-year | - | - | (262,569) | (262,569) |
| <i>Transactions with Owners in their capacity as Owners:</i> | | | | |
| Lapsed options | - | (130,034) | 130,034 | - |
| Balance at 31 December 2019 | <u>39,061,984</u> | <u>140,836</u> | <u>(35,697,764)</u> | <u>3,505,056</u> |

| Consolidated | Issued capital \$ | FVOCI \$ | Share-based payments reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------|---------------------|--|----------------------------------|----------------------------|
| Balance at 1 July 2020 | 39,061,984 | - | 140,836 | (35,890,207) | 3,312,613 |
| Profit after income tax expense for the half-year | - | - | - | 18,195,255 | 18,195,255 |
| Other comprehensive income for the half-year, net of tax | - | 27,179,399 | - | - | 27,179,399 |
| Total comprehensive income for the half-year | - | 27,179,399 | - | 18,195,255 | 45,374,654 |
| <i>Transactions with Owners in their capacity as Owners:</i> | | | | | |
| Shares issued during the period (note 8) | 2,162,628 | - | - | - | 2,162,628 |
| Transaction costs | (162,316) | - | - | - | (162,316) |
| Exercise of Director options | - | - | (32,628) | - | (32,628) |
| Returns of capital during the period (note 8) | (18,654,783) | (27,179,399) | - | - | (45,834,182) |
| Balance at 31 December 2020 | <u>22,407,513</u> | <u>-</u> | <u>108,208</u> | <u>(17,694,952)</u> | <u>4,820,769</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes

Petratherm Limited
Statement of cash flows
For the half-year ended 31 December 2020

| | | Consolidated | |
|---|-------------|-------------------------|-------------------------|
| | Note | 31 December 2020 | 31 December 2019 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | - | 15,404 |
| Payments to suppliers and employees | | (327,543) | (197,133) |
| | | (327,543) | (181,729) |
| Interest received | | 8,035 | 22,383 |
| Government subsidies received | | 49,839 | - |
| Payments for environmental rehabilitation | | (2,302) | (328,880) |
| Payments for exploration activities (expensed) | | (58,594) | (52,395) |
| | | (330,565) | (540,621) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (2,514) | - |
| Payments for exploration activities (capitalised) | 7 | (128,526) | (325,206) |
| | | (131,040) | (325,206) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 8 | 2,130,000 | - |
| Share issue transaction costs | | (162,316) | - |
| | | 1,967,684 | - |
| Net cash from financing activities | | 1,967,684 | - |
| Net increase/(decrease) in cash and cash equivalents | | 1,506,079 | (865,827) |
| Cash and cash equivalents at the beginning of the financial half-year | | 2,442,907 | 3,889,727 |
| Cash and cash equivalents at the end of the financial half-year | | <u>3,948,986</u> | <u>3,023,900</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

Petratherm Limited
Notes to the financial statements
For the half-year ended 31 December 2020

Note 1. General information

The consolidated financial statements cover Petratherm Limited as a Group consisting of Petratherm Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Petratherm Limited's functional and presentation currency.

Petratherm Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

C/- HLB Mann Judd (SA) Pty Ltd
169 Fullarton Road
DULWICH SA 5065

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 16 March 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

AASB 5 Non-current assets held for sale and discontinued operations

Non-current assets have been classified as held for sale or held for distribution to owners where it is highly probable that their carrying amount will be recovered principally through a sale or distribution transaction rather through continuing use.

Assets classified as held for sale or held for distribution to owners are measured at the lower of its carrying amount and fair value less costs to sell and are presented separately from other assets in the statement of financial position.

AASB Interpretation 17

The Company has applied AASB interpretation 17 to non-reciprocal distributions of assets by the Company to its owners acting in their capacity as owners.

Where a distribution is declared to the owners of the Company and the Company has an obligation to distribute the assets concerned, the liability to distribute the assets will be recognised as a dividend payable when the dividend has been appropriately authorised and is no longer at the discretion of the Company. The liability to distribute non-cash assets as a dividend to the owners of the Company shall be measured at the fair value of the assets to be distributed.

At the end of each reporting period and at the date of settlement, the Company shall review and adjust the carrying amount of the dividend payable, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Income tax

The Group is subject to income tax and significant judgment is required in determining any provision for income tax. During the period the Group has completed the sale of certain exploration assets to Outback Goldfields Corp which has resulted in an operating profit for the half year to 31 December 2020 and has committed to an in-specie distribution of consideration shares to shareholders in April 2021. The Directors have sought and received advice on the availability of tax losses to ensure that there are sufficient losses to reduce any potential tax payable on the transactions to nil.

Note 4. Operating segments

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

Petratherm Limited
Notes to the financial statements
For the half-year ended 31 December 2020

Note 5. Other expenses

| | Consolidated | |
|-----------------------------------|-------------------------|-------------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| Insurance costs | 11,226 | 11,699 |
| AGM expenses | 16,238 | 11,407 |
| Audit fees | 11,596 | 7,400 |
| Bank charges | 1,234 | 1,223 |
| Communication & computer expenses | 1,792 | 2,041 |
| Listing fees | 24,140 | 25,425 |
| Legal fees | 66,179 | - |
| Office expenses | 1,134 | 291 |
| Occupancy Costs | 1,999 | 6,736 |
| Share registry expenses | 11,780 | 11,753 |
| Other expenses | 478 | 2,505 |
| | <u>147,796</u> | <u>80,480</u> |

Note 6. Beneficial interest in Outback Goldfields Corp shares classified as held for distribution to owners

| | Consolidated | |
|--|-------------------------|---------------------|
| | 31 December 2020 | 30 June 2020 |
| | \$ | \$ |
| Beneficial interest in Outback Goldfields Corp. shares | <u>45,834,182</u> | <u>-</u> |

Sale of Victorian Gold Project Assets to Outback Goldfields Corp.

On 16 December 2020 the Company successfully closed a transaction (the Transaction) to sell its Victorian Gold Project Assets to Outback Goldfields Corp. (Outback Goldfields) (formerly Skarb Exploration Corp.), a Canadian mineral exploration company listed on the Canadian Securities Exchange.

The Victorian Gold Projects sold to Outback Goldfields comprised of the following assets:

- Yuengroon Gold Project (EL 6897 & ELA 7280)
- Silver Spoon Gold Project (ELA 6951)
- Glenfine Gold Project Farm-In & Joint Venture (EL 5434, EL 5537 & EL 5344)
- Ballarat West Gold Project (ELA 7276)

The carrying value of the Victorian Gold Project Assets at the Transaction date was \$133,873.

As consideration for the project assets, Outback Goldfields issued 100,000,000 shares (Consideration Shares) to Petratherm (33,333,333 shares after Outback Goldfields' 3:1 capital consolidation). The fair value of the Consideration Shares at the Transaction date was \$18,654,783 AUD based on a valuation of \$0.18 CAD per share resulting in an initial gain on sale of \$18,520,909. The Consideration Shares represent approximately 57% of the share capital of Outback Goldfields.

The Consideration Shares have been subsequently re-measured to a fair value of \$45,834,182 based on the \$1.35 CAD per share market value of the equity instruments as at 31 December 2020. The Company has recognised a fair value increment between 16 December 2020 and 31 December 2020 through other comprehensive income of \$27,179,399.

Petratherm Limited
Notes to the financial statements
For the half-year ended 31 December 2020

Note 7. Exploration and evaluation assets

| | Consolidated | |
|--------------------------------------|-------------------------|---------------------|
| | 31 December 2020 | 30 June 2020 |
| | \$ | \$ |
| Exploration and evaluation - at cost | <u>919,030</u> | <u>949,042</u> |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| Consolidated | Exploration and evaluation \$ | Total \$ |
|--|--------------------------------------|-----------------|
| Balance at 1 July 2020 | 949,042 | 949,042 |
| Additions through expenditures capitalised | 109,939 | 109,939 |
| Disposals* | (133,873) | (133,873) |
| Impairment of assets | (6,078) | (6,078) |
| Balance at 31 December 2020 | <u>919,030</u> | <u>919,030</u> |

* On 16 December 2020 the Company successfully closed a transaction (the Transaction) to sell its Victorian Gold Project Assets to Outback Goldfields Corp. (Outback Goldfields), a Canadian mineral exploration company listed on the Canadian Securities Exchange. The carrying value of the Victorian Gold Project Assets at the Transaction date was \$133,873. For more information on the Transaction refer to note 6.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Exploration and evaluation expenditure has been carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recovered reserves. Management assessment of carried forward expenditure resulted in impairment charges of \$6,078 (December 2019: \$3,428).

Note 8. Issued capital

| | Consolidated | | | |
|------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | 31 December 2020 | 30 June 2020 | 31 December 2020 | 30 June 2020 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>188,358,794</u> | <u>171,001,652</u> | <u>22,407,513</u> | <u>39,061,984</u> |

Movements in ordinary share capital

| Details | Date | Shares | \$ |
|--|------------------|--------------------|-------------------|
| Balance | 1 July 2020 | 171,001,652 | 39,061,984 |
| Issue of shares via placement | 1 December 2020 | 14,285,714 | 2,000,000 |
| Exercise of Director options | 4 December 2020 | 3,000,000 | 152,628 |
| Issue of placement shares to Exploration Manager | 17 December 2020 | 71,428 | 10,000 |
| Return of capital from in-specie distribution | 31 December 2020 | - | (18,654,783) |
| Transaction costs | | - | (162,316) |
| Balance | 31 December 2020 | <u>188,358,794</u> | <u>22,407,513</u> |

Note 8. Issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Return of capital

Shareholder approval was granted on 11 December 2020 for Petratherm to distribute the 33,333,333 Outback Goldfields shares in-specie to its shareholders "pro-rata" in accordance with their shareholdings in the Company.

The in-specie distribution to Petratherm's shareholders is subject to a distribution wait period ending 16 April 2021 in accordance with statutory requirements of the Canadian Stock Exchange. The record date for determining entitlements to the Consideration Shares will be at the end of the distribution wait period.

A distribution/return of capital payable in relation to the in-specie return of capital to shareholders was recognised at the Transaction completion date of 16 December 2020 at an initial fair value of \$18,654,783. The Company has recognised a fair value increment on the distribution between 16 December 2020 and 31 December 2020 of \$27,179,399.

For more information on the Transaction refer to note 6.

Share buy-back

There is no current on-market share buy-back.

Proceeds from share issues are used to maintain and expand the Group's exploration activities and fund operating costs. There are no externally imposed capital requirements.

Note 9. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 10. Events after the reporting period

Outback Goldfields announces exploration program in Victoria

On January 15 2021 Outback Goldfields Corp. (Outback Goldfields) announced the commencement of a Phase 1 exploration program on its highly prospective gold projects located in the Victorian goldfields of Australia.

Two of Outback Goldfields' four key assets (Glenfine & Yuengroon) will be subject to significant exploration programs starting in Q1 of 2021. Outback Goldfields announced the commencement of diamond drilling at its Glenfine project on February 16 2021. A diamond drill has been mobilised to commence 4,000 metres of drilling, targeting high-grade gold mineralisation at two priority targets. Geological crews have started property-scale rock and soil sampling programs.

On March 3 2021 Outback Goldfields announced the commencement of a large airborne geophysical survey over the prospective Yuengroon project. The high-resolution, 8,000 line kilometer magnetic and radiometric survey marks an important step in Outback Goldfields' plans to systematically advance the Yuengroon project and refine exploration targets. A soil geochemical survey aimed at defining the mineralisation potential of key structures and structural intersections will be completed following the geophysical survey. Follow-up top of bedrock RAB drilling of defined coincident geophysical and geochemical anomalies is also planned to assist with refining new drill targets.

Issue of placement shares to Directors

In November 2020 the Company announced that it had received firm commitments to raise \$2.16M through a share placement. Each Director of the Company agreed to subscribe for \$50,000 worth of fully paid ordinary shares at the placement price of \$0.14 per share subject to obtaining shareholder approval.

Shareholder approval was granted to the Directors at an extraordinary general meeting on 29 January 2021. The shares were issued to Directors on February 12 2021.

Note 10. Events after the reporting period (continued)

Drilling operations at Mabel Creek and Comet Projects

On February 19 2021 the Company announced an update to its drilling operations. The Company has completed extensive Native Heritage surveying over both its Mabel Creek and Comet Project Areas in South Australia. Surveying was conducted in late January 2021 to seek a clearance to drill multiple Olympic Dam Style geophysical targets. In early February 2021, the Company completed further heritage surveying over the Western Mabel Creek Project Area and at the Company's Comet and Gina Project Areas. Extensive ground exploration works can now begin.

The Company has finalised drilling provisions at Mabel Creek with the South Australian Department for Energy and Mining Regulator and a drilling rig has been secured. Drilling operations at Mabel Creek are scheduled to begin in the second week of March 2021.

The Company's regional shallow RAB drilling program at the Comet Project Area is scheduled to start in mid-March 2021. The first phase of shallow RAB drilling will evaluate an approximate 100 km² area over the western half of the Comet Project Area. The ground exploration works at both Mabel Creek and Comet are likely to continue through to the end of April 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 11. Earnings per share

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| Profit/(loss) after income tax attributable to the Owners of Petratherm Limited | <u>18,195,255</u> | <u>(262,569)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 173,870,829 | 171,001,652 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | <u>9,487,583</u> | <u>-</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>183,358,412</u> | <u>171,001,652</u> |
| | Cents | Cents |
| Basic earnings per share | 10.46 | (0.15) |
| Diluted earnings per share | 9.92 | (0.15) |

Petratherm Limited
Directors' declaration
For the half-year ended 31 December 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Derek Carter', is written over a horizontal line.

Derek Carter
Chairman

16 March 2021

Independent Auditor's Review Report

To the Members of Petratherm Limited

Report on the review of the half year-financial report

Conclusion

We have reviewed the accompanying half-year financial report of Petratherm Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of the Petratherm Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half year financial report

The Directors of the Company 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 internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

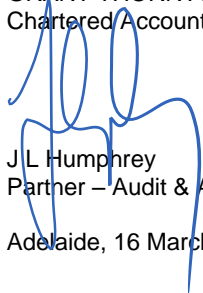
Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with 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 Company's financial position as at 31 December 2020 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*.

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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 16 March 2021