Petratherm Limited

ABN 17 106 806 884

Consolidated Financial Statements

For the Year Ended 30 June 2014

Contents

For the Year Ended 30 June 2014

Corporate Information

Directors
Derek Carter (Chairman) (retired 31 March 2014)
Terry Kallis (Managing Director)
Richard Bonython (retired 31 March 2014)
Richard Hillis (retired 31 March 2014)
Simon O'Loughlin
Lewis Owens (retired 31 March 2014)
Donald Stephens (Appointed 31 March 2014)

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 Registry
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
ADELAIDE SA 5000

Legal Advisors
O'Loughlins Lawyers
Level 2, 99 Frome Street
ADELAIDE SA 5000'

Bankers
National Australia Bank
22 - 28 King William Street
ADELAIDE SA 5000

Auditors
Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1
67 Greenhill Road
WAYVILLE SA 5034

Directors' Report
30 June 2014

Your directors submit their report for the year ended 30 June 2014.

DIRECTORS

Derek Carter	Chairman	Retired 31 March 2014
Terry Kallis	Executive Director	
Richard Bonython	Non-Executive Director	Retired 31 March 2014
Richard Hillis	Non-Executive Director	Retired 31 March 2014
Simon O'Loughlin	Non-Executive Director	
Lewis Owens	Non-Executive Director	Retired 31 March 2014
Donald Stephens	Non-Executive Director	Appointed 31 March 2014

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. The directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Terry Kallis,BE (Elec) MBA (Exective Director)
Terry Kallis has more than 30 years experience in the Australian energy sector. Terry holds degrees in Electrical Engineering and a Masters of Business Administration. He held senior executive positions in ETSA Corporation and was instrumental in the development of the National Electricity Market (NEM) and the reforms to ETSA and ElectraNet and their privatisation.

Prior to joining Petratherm, Terry consulted to the energy sector and developed SA's first wind farm and first underground DC interconnection between South Australia and Victoria. Terry is the former Chairman of the Australian Geothermal Energy Association (AGEA) and is also a Member of the Council of the South Australian Chamber of Mines & Energy representing geothermal and renewables.

Simon O'Loughlin, BA (Acc) (Non-Executive Director)
Simon O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. He has obtained extensive experience in the corporate and commercial law fields while practicing in Sydney and Adelaide. Simon also holds accounting qualifications. More recently, he has been focusing on the resources sector. He is currently chairman of Lawson Gold Ltd and a director of Goldminex Ltd, Chesser Resources Ltd, WCP Resources Ltd and Crest Minerals Ltd. He has comprehensive experience with companies in the small industrial and resources sectors. In the last three years Simon has held directorships for the following ASX Listed Company's Oncosil Ltd, Bondi Mining Ltd, Bioxyne Ltd, Avenue Resources Ltd, Kibaran Nickel Ltd, Aura Energy Ltd, Living Cell Technologies Ltd, Wolf Petroleum Ltd, World Titanium Resources Ltd, Reproductive Health Science Ltd and Bioxyne Ltd.

Simon is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

Donald Stephens, BA (Acc), FCA (Non-Executive Director/Company Secretary) (Appointed 31 March 2014)
Donald Stephens is a Chartered Accountant and corporate adviser with over 25 year's experience in the accounting industry, including 14 years as a partner of HLB Mann Judd Stephens, a firm of Chartered Accountants. He is a director of Papyrus Australia Ltd, Reproductive Health Science Ltd, Mithril Resources Ltd and Lawson Gold Ltd and is company secretary to Minotaur Exploration Ltd, Musgrave Minerals Ltd, Highfield Resources Ltd, Mithril Resources Ltd and Reproductive Health Science Ltd. In the last 3 years he has been a Director of TW Holdings Ltd and CRW Holdings Ltd. He holds other public company secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations. He is also the company secretary and is a member of the Company's audit committee.

Derek Carter, MSc, FAusIMM (CP) (Non-Executive Director)
Derek Carter has over 40 years experience in exploration and mine geology, including 17 years in management of ASX-listed exploration/development companies. He held senior positions in the Shell Group of Companies and Burmine Ltd before founding Minotaur in 1993. He was Managing Director of Minotaur from its inception until early 2010 when he became Chairman of that company. He is also Chairman of Highfield Resources Ltd and Blackthorn Resources Ltd and the AusIMM. He is a director of Mithril Resources Ltd and has been a Director of Toro Energy Ltd and Petratherm Ltd in the last 3 years.

He was Vice President and later President of the South Australian Chamber of Mines and Energy, was a Director of the Australian Gold Council and Chairman of the Federal Government's Minerals Exploration Advisory Group. He is a member of the South Australian Resources Development Board, and the South Australian Minerals and Petroleum Experts Group.

He is a recipient of AMEC's Prospector of the Year Award, the AusIMM's President's Award and is a Centenary Medallist. Derek retired from the Petratherm board on the 31 March 2014.

Richard Bonython, B Ag Sc (Non-Executive Director)
Richard Bonython was a director of Minotaur Gold Ltd for six years, Minotaur Resources Ltd for 5 years and retired as chairman of Hindmarsh Resources Ltd following the takeover of that company in early 2006. He retired as chairman of Diamin Resources NL in 1999 having been a director of that company for 15 years. He was executive director of Pioneer Property Group Ltd for over 15 years and has experience of over 42 years in the building, rural and mineral industries. He is currently a director of Minotaur Exploration Ltd and Mithril Resources Ltd. Richard retired from the Petratherm board on the 31 March 2014.

Richard Hillis, BSc, ARSM, PhD, FAusIMM, ATSE (Non-Executive Director)
Richard Hillis is CEO of the Deep Exploration Technologies Cooperative Research Centre (DET CRC). The DET CRC is an industry and government funded company established to deliver research programs in mineral exploration technologies. Richard graduated BSc (Hons) from Imperial College (London, 1985) and PhD from the University of Edinburgh (1989) and was previously Mawson Professor of Geology and Head of the Australian School of Petroleum (University of Adelaide). He has published 200 papers in the areas of petroleum geomechanics and basin tectonics and has consulted extensively to, and run short courses for, the petroleum industry on these topics. Richard is a non-executive director of AuScope, the geosciences facility in the National Collaborative Research Infrastructure Scheme and is a Fellow of the Australian Academy of Technological Sciences and Engineering. Richard retired from the Petratherm board on the 31 March 2014.

Lewis Owens, MSc,BE(Hons),BA (Non-Executive Director)
Lewis Owens is currently the Chairman of SA Water Corporation and Country Arts SA, a Director of Regional Arts Australia, member of the City of Marion Audit Committee and Chair of the University of Adelaide Business School Advisory Board. He is a member of the Resources and Energy Sector Infrastructure Council and Chair of the Resources, Energy and Water Industry Cluster for Aboriginal Employment. He was previously the CEO and Director of ETSA Utilities, the South Australian electricity distribution business. Prior to that role, he was Chairman of the Essential Services Commission of South Australia, responsible for independent regulation of the electricity, gas, water, ports and railway industries. He has worked in the oil, gas and electricity industries, and in various roles within government including as Chief Executive of WorkCover Corporation and Funds SA. Lewis retired from the Petratherm board on the 31 March 2014

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of Petratherm Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares	Number of Listed Options
Derek Carter	5,866,334	600,000	482,917
Terry Kallis	3,401,600	1,500,000	-
Richard Bonython	4,898,114	450,000	424,765
Richard Hillis	2,306,668	650,000	100,834
Simon O'Loughlin	2,969,167	450,000	110,834
Lewis Owens	2,013,334	450,000	64,167
Donald Stephens	600,000	600,000	-

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

PRINCIPAL ACTIVITIES

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

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

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

OPERATING RESULTS

The consolidated loss of the Group for the financial year after providing for income tax amounted to $18,260,076 [2013: $788,997].

OPERATIONS OVERVIEW

Paralana

The focus during the reporting year has been to secure the necessary funds to unlock the $13 million Emerging Renewable Energy Grant (ERP) to assist funding of the next phase of works, aimed at demonstrating commercial energy extraction. The ERP grant, awarded by the Australian Renewable Energy Agency (ARENA), was provided on a matching funding basis and included two key conditions:

- Beach Energy commits to fund its 21% equity share of the matching funding project costs, and;
- Petratherm secures an additional $5 million in equity (market and/or JV partner(s)) within six months.

The Company worked diligently to attract additional joint venture partners within Australia and internationally. The market sentiment toward geothermal energy investment however continued to be negative and despite the Company's best efforts, was unable to raise the necessary funds to progress the project.

In July 2014, just after the reporting period, Petratherm advised that despite a seven month time extension, the Company had been unable to secure the additional $5 million in equity required to draw down on the $13 million ERP Grant. Accordingly, ARENA advised that no further time extensions will be made to source these funds and the ERP grant will be terminated with no funds having been paid to Petratherm.

As a consequence of the ERP grant lapse, the Company's $24.5million Renewable Energy Development Program (REDP) grant conditions could not be met. The REDP grant was designed to assist funding of up to 7MW geothermal power plant at Paralana, and was subject to a successful completion of the ERP. A formal termination of both grants will be executed shorty with ARENA.

On a technical level the Paralana Project has been highly successful with a production well drilled into the hot rock at depth, evidence of natural fracture permeability, and a large fracture zone engineered. A summary table of the Paralana Projects calculated resources is presented below. The Company will now look place the project onto care and maintenance, to allow the option either re start or sell the project at a later date should market sentiment toward engineered geothermal investment improve.

Paralana Geothermal Resources

Estimated Recoverable Thermal Energy expressed in Petajoules (PJ_{th})

Depth Interval (metres)	Inferred (PJ_{th})	Indicated (PJ_{th})	Measured (PJ_{th})	Total (PJ_{th})
<3,500	2,400	1,100		3,500
3,500 - 4,000	**4,900**	**4,400**	**41**	**9,300**
4,000 - 4,500	5,900	5,700		12,000
4,500 - 5,000	6,900	6,700		14,000
Total (PJ_{th})	20,100	17,900	41	38,800

Paralana Joint Venture: Petratherm 79%, Beach Energy 21%. If remaining staged equity investments are met, Beach Energy may earn up to 36% interest. Full Paralana Resource Statement is available on the Company's website – www.petratherm.com.au

Tenerife

The Tenerife Project in the Spanish owned Canary Islands is a high temperature, conventional geothermal project on the active volcanic Island of Tenerife. The project is at an advanced stage with drill ready targets identified following extensive geochemical and geophysical campaigns. These ground activities are funded by the collaborative 4-year €1.7M Geothercan research grant.

The project has now reached the stage that it will require a JV partner or be sold. The company is actively seeking parties interested in acquiring the project. During the period the value of the Company's Spanish projects were written down to reflect this situation.

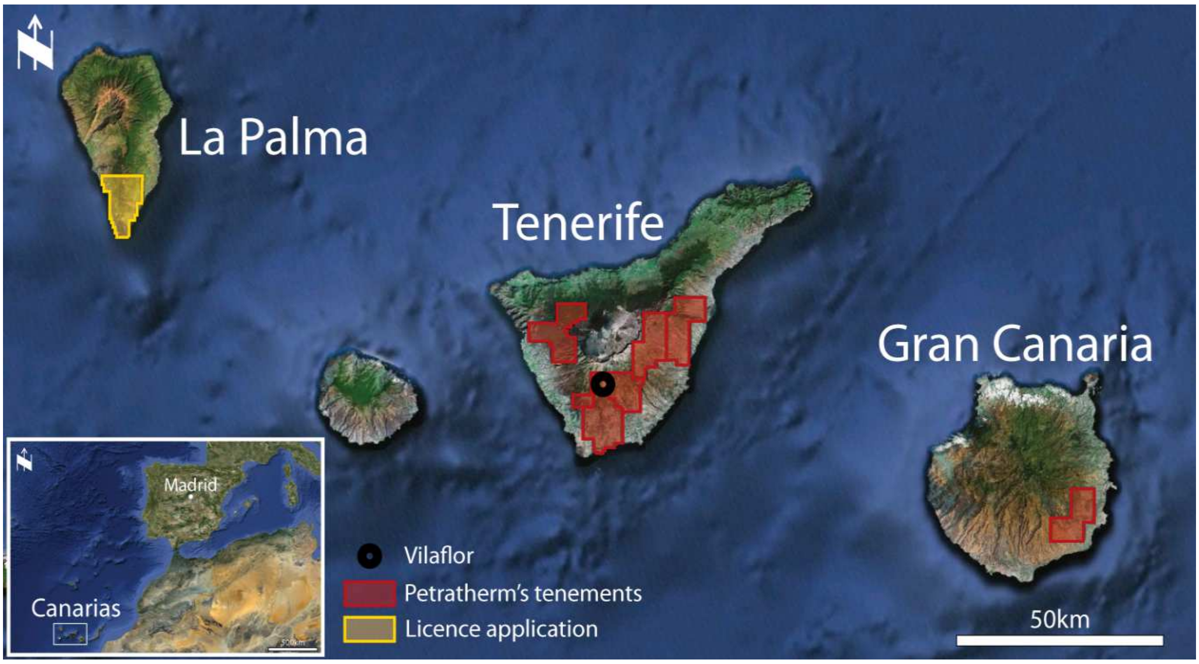

Figure 1 Petratherm's tenements and exploration licence applications in the Canary Islands

Directors' Report
30 June 2014
Tasmania – Shale Oil and Gas

In January 2014, Petratherm advised that its wholly owned subsidiary, PetraGas Limited, had been awarded a Petroleum Exploration Licence (EL3/2013) covering approximately 3,900 square kilometres, north of Hobart in central Tasmania (refer Figure 2).

The tenement application spans part of the petroleum-bearing Tasmania Basin, which is prospective for both conventional and unconventional oil and gas. The area is a green fields play and the first year's work has been largely a desktop study assessing historical data with a modest spend of around $100,000 to determine its prospectivity. The Company has commenced joint venture discussions to assist funding the project moving forward.

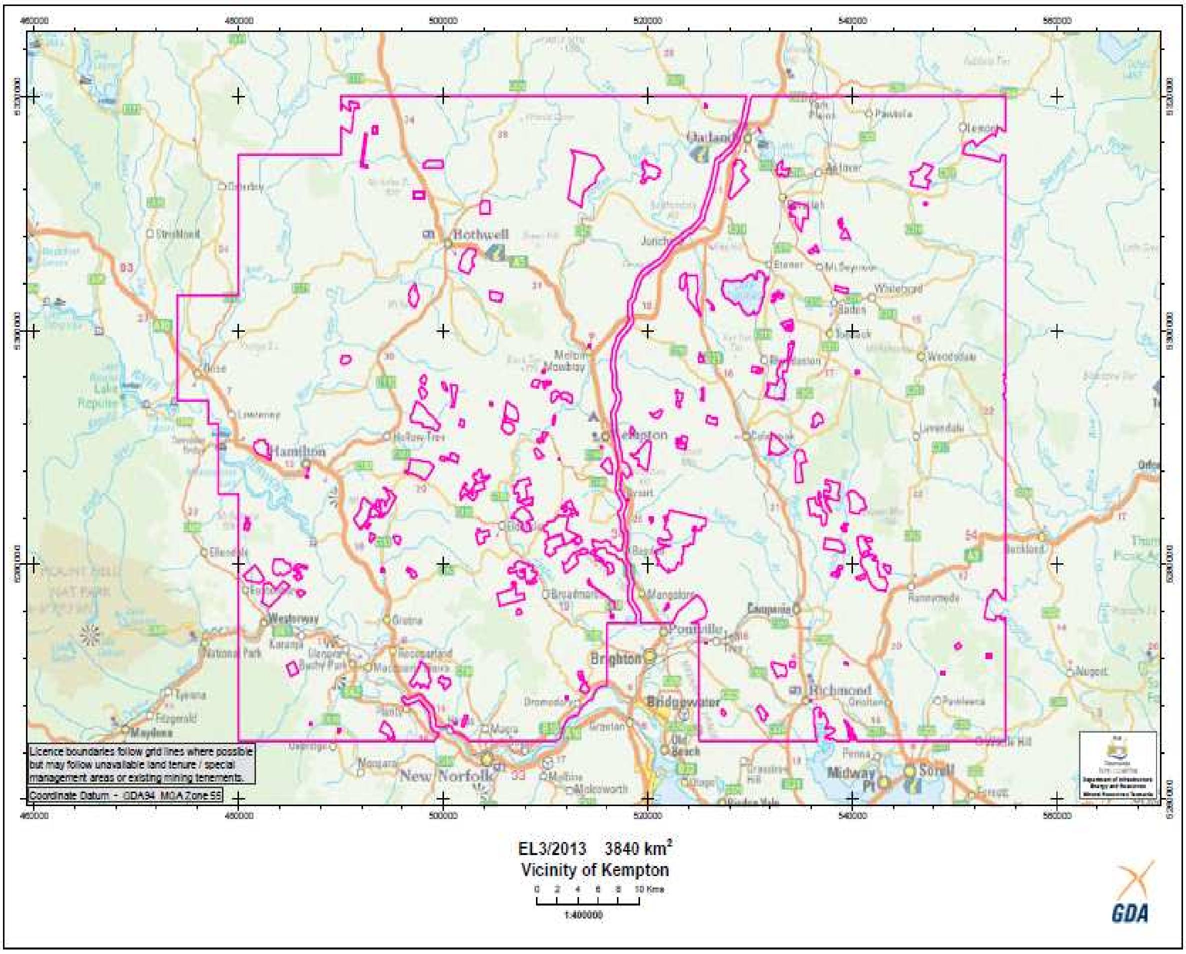

Figure 2 Location Map of Petroleum Tenement Licence Area – Areas excised within the broader tenement boundary outlined in magenta.

RISK MANAGEMENT

The Group takes a proactive approach to risk management. The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk;

- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of performance indicators of both a financial and non-financial nature.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Group occurred during the financial year:

On 27 November 2013 the Group announced it had completed the rights issue raising $649,733 (before issue costs) and issuing 64,973,270 shares at $0.01 per share.

On 4 February 2014 Petratherm announced its wholly owned subsidiary PetraGas Ltd had successfully been awarded a Petroleum Exploration Licence north of Hobart in central Tasmania to explore for shale oil & gas.

Other than the matter noted, there were no other material significant events.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 21 July 2014 Petratherm advised that the Company has been unable to secure the additional $5 million in equity required to draw down on the $13 million Emerging Renewables Program (ERP) Grant awarded by the Australian Renewable Energy Agency (ARENA).

On 23 July 2014 Petratherm advised that all resolutions relating to issue of shares to directors at the Company’s Extraordinary General Meeting were passed on a show of hands. Messrs Kallis and O’Loughlin each received 1,500,000 fully paid ordinary shares at $0.015 per share. Mr Stephens received 600,000 fully paid ordinary shares at $0.015 per share. The shares were issued in lieu of directors fees. The directors forewent half of their directors fees for the year ended 30 June 2014 and the remaining half was accrued in the attached financial statements and subsequently settled by way of the abovementioned share issue.

On the 21 August 2014 and 25 August 2014, Mr Kallis acquired a further 200,000 and 800,000 fully paid ordinary shares at $0.01 and $0.009 respectively, via an on-market trade.

Other than those matters noted there were no other material subsequent events.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group intends to continue appropriate exploration and evaluation expenditure enabling it to maintain good title to all its prospective geothermal properties and petroleum until decisions can be made to successfully develop and exploit, sell or abandon such properties. New projects will be sought and evaluated.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is aware of its responsibility to impact as little as possible on the environment, and where there is any disturbance, to rehabilitate sites. During the period under review the majority of work carried out was in South Australia and Tasmania and the Group followed procedures and pursued objectives in line with guidelines published by the South Australian and Tasmanian Governments. These guidelines are detailed and encompass the impact on owners and land users, heritage, health and safety and proper restoration practices. The Group supports this approach and is confident that it properly monitors and adheres to these objectives, and any local conditions applicable, both in South Australia and elsewhere. The Company’s Spanish operations follow regulations as outlined by Spanish Mining Law, and Petratherm’s internal Health Saftey and Environment management system, which is internationally compliant. The Company is in compliance with the state and/or commonwealth environmental laws for the jurisdictions in which it operates.

Unissued Shares
At the date of this report, the following options to acquire ordinary shares in the Company were on issue.

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2013	Net Issued/ Exercised	Lapsed/ Cancelled	Balance at 30 June 2014
28/11/2008	27/11/2013	$0.42	150,000	-	(150,000)	-
07/10/2008	06/10/2013	$0.56	50,000	-	(50,000)	-
24/12/2009	23/12/2014	$0.50	350,000	-	-	350,000
04/01/2010	03/01/2015	$0.53	300,000	-	-	300,000
05/06/2010	04/01/2015	$0.24	3,100,000	-	-	3,100,000
05/06/2010	04/01/2015	$0.29	500,000	-	-	500,000
06/07/2010	05/07/2015	$0.20	600,000	-	-	600,000
31/01/2011	30/01/2016	$0.15	1,100,000	-	-	1,100,000
09/01/2012	08/01/2017	$0.14	350,000	-	-	350,000
03/03/2012	02/03/2017	$0.13	500,000	-	-	500,000
			7,000,000	-	(200,000)	6,800,000

SHARE OPTIONS

Cancellation of Options
During the financial year 200,000 options lapsed due to not being exercised within the given exercise period.

New options issued
No options were issued under the Company's Employee Share Option Plan (ESOP).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company for a premium of $13,452. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for directors and key management personnel of Petratherm Limited.

Remuneration philosophy
The board is responsible for determining remuneration policies applicable to directors and senior executives of the Group. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration consideration is given by the board to the Group's financial performance.

REMUNERATION REPORT - AUDITED (continued)

Employment contracts
The employment conditions of the Managing Director, Mr Terry Kallis, are formalised in a consultancy agreement. Mr Kallis commenced employment on 1 May 2006 and has subsequent signed a consultancy agreement dated 10 January 2012 with Kallis & Co Pty Ltd. The agreement is based on an annual retainer of $330,000 in equal monthly instalments in arrears. The agreement includes flexibility that has allowed the Company to source services on an as need basis. The Company may terminate the consultancy agreement by providing three (3) months written notice or making payment in lieu of notice, based on the annual salary component.

From July 1 2014, Mr Kallis' employment contract, as described above, was not renewed and he has commenced a consulting agreement with the Company, under which he will receive fees for services provided relating to tasks approved by the Board.

The employment conditions of the Exploration Manager, Mr Peter Reid, are formalised in a contract of employment. Mr Reid commenced employment on 27 July 2004 and his base salary, inclusive of superannuation, is $186,832 per annum. The agreement includes flexibility that has allowed the Company to source services on an as need basis. The Company may terminate the employment contract by providing three (3) months written notice or making payment in lieu of notice, based on the annual salary component.

From July 1 2014, Mr Reid's employment contract, as described above, was not renewed and he has commenced a consulting agreement with the Company, under which he will receive fees for services provided relating to tasks approved by the Board.

Key management personnel remuneration and equity holdings
The board currently determines the nature and amount of remuneration for board members and senior executives of the Group. The policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives.

The non-executive directors and other executives receive a superannuation guarantee contribution required by the government, which was 9.25%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is expensed as incurred. Executives are also entitled to participate in the Group share option scheme. Options are valued using the Black-Scholes methodology. The board policy is to remunerate non-executive directors at market rates based on comparable companies for time, commitment and responsibilities. The board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Voting and comments made at the company's 2013 Annual General Meeting
Petratherm Ltd received more than 92.92% of 'yes' votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Use of remuneration consultants
During the financial year there were no remuneration consultants engaged by the Group.

Directors' Report
30 June 2014

REMUNERATION REPORT - AUDITED (continued)

Table 1: Directors' remuneration for the year ended 30 June 2013 & 2014

	Short-term employee benefits	Post employment benefits	Share based payments	Total
	Salary & Fees	Superannuation	Options	
Derek Carter				
2014***	30,000	-	-	**30,000**
2013	23,175	1,350	-	**24,525**
Terry Kallis				
2014***	150,375	-	-	**150,375**
2013	23,175	1,350	-	**24,526**
Richard Bonython				
2014***	22,500	-	-	**22,500**
2013	18,394	-	-	**18,394**
Simon O'Loughlin **				
2014***	27,500	463	-	**27,963**
2013	16,875	1,519	-	**18,394**
Lewis Owens				
2014***	22,500	-	-	**22,500**
2013	16,875	1,519	-	**18,394**
Richard Hillis				
2014***	22,500	-	-	**22,500**
2013	16,875	1,519	-	**18,394**
Donald Stephens *				
2014***	15,828	-	-	**15,828**
2013	-	-	-	**-**

Table 2: Remuneration of the other key management for the year ended 30 June 2013 & 2014

	Salary & Fees	Superannuation	Options	
Peter Reid				
2014	71,007	1,612	-	**72,619**
2013	171,406	15,426	-	**186,832**

* HLB Mann Judd (SA) Pty Limited has received professional fees for accounting, taxation and secretarial services provided during the year amounting to $136,829 (2013: $176,682). Donald Stephens, a non-executive Director and the company secretary, is a consultant with HLB Mann Judd (SA) Pty Limited. DCS Corporate Pty Ltd of which Donald is a director received director fees of $6,828 (2013: NIL). At 30 June 2014, the Group owed $17,766 to HLB Mann Judd (SA) Pty Ltd.

** O'Loughlins Lawyers of which Simon O'Loughlin is a partner received legal fees of $27,597 (2013:$66,142) during the year. At 30 June 2014, the Group owed $4,441 to O'Loughlins Lawyers.

*** During the year the Directors forewent half of their director fees, the remaining half has been accrued as at 30 June 2014, being $30,000 for Mr Carter, $22,500 for Messrs Kallis, Bonython, O'Loughlin, Owen and Hillis, and $9,000 for Mr Stephens. Subsequent to year end the amount accrued was settled by way of a share issued approved via shareholder resolution at the Company's EGM on 23 July 2014.

Directors' Report
30 June 2014

REMUNERATION REPORT - AUDITED (continued)

Table 3: Options granted as part of remuneration

No options were issued to directors or other key management during the year or previous year.

No portion of remuneration paid or payable to any Key Management Personnel employed by Petratherm was performance based in 2013 or 2014.

Table 4: Options holdings of Key Management Personnel

30 June 2014	Balance at beginning of period	Granted as remuner-ation	Options exercised	Options lapsed	Balance at end of period	Expiry date	First exercise date	Last exercise date
Directors								
Terry Kallis	1,000,000	-	-	-	1,000,000	04/01/15	03/06/10	04/01/15
Terry Kallis	500,000	-			500,000	02/03/17	03/03/12	02/03/17
Derek Carter	600,000	-	-	-	600,000	04/01/15	03/06/10	04/01/15
Richard Bonython	450,000	-	-	-	450,000	04/01/15	03/06/10	04/01/15
Lewis Owens	450,000	-	-	-	450,000	04/01/15	03/06/10	04/01/15
Richard Hillis	650,000	-	-	-	650,000	04/01/15	03/06/10	04/01/15
Simon O'Loughlin	450,000	-	-	-	450,000	04/01/15	03/06/10	04/01/15
Donald Stephens	300,000	-	-	-	300,000	03/01/15	05/01/10	03/01/15
Donald Stephens	300,000	-	-	-	300,000	30/01/16	31/01/11	30/01/16
Executives								
Peter Reid	150,000	-	-	-	150,000	23/12/14	24/12/09	23/12/14
Peter Reid	100,000	-	-	(100,000)	-	27/11/13	28/11/08	27/11/13
Peter Reid	400,000	-	-	-	400,000	05/07/15	06/07/10	05/07/15
Peter Reid	500,000	-	-	-	500,000	30/01/16	31/01/11	30/01/16
Peter Reid	200,000	-	-	-	200,000	08/01/17	09/01/12	08/01/17
	6,050,000	-	-	(100,000)	5,950,000			

100,000 options held by Mr Reid lapsed during the year ended 30 June 2014.

Directors' Report

30 June 2014

REMUNERATION REPORT - AUDITED (continued)

Table 5: Shareholdings of Key Management Personnel

30 June 2014	Balance at 1 July 13	On Exercise of Options	Net Change Other	Balance 30 June 14
Directors				
Terry Kallis	360,640	-	540,960	901,600
Derek Carter	1,934,667	-	1,931,667	3,866,334
Richard Bonython	1,699,057	-	1,699,057	3,398,114
Lewis Owens	256,667	-	256,667	513,334
Richard Hillis	403,334	-	403,334	806,668
Simon O'Loughlin	469,167	-	1,443,334	1,912,501
Donald Stephens	-	-	-	-
Executives				
Peter Reid	426,751	-	-	426,751

During the period all the directors (with the exception of Mr Stephens) participated in the Non-Renounceable Rights Issue announced in November 2013.

As a result of participation in the Non-Renounceable Rights Issue, the participating director's shareholdings increased by the following amount:

Terry Kallis	450,800
Derek Carter	1,931,667
Richard Bonython	1,699,057
Lewis Owens	256,667
Richard Hillis	403,334
Simon O'Loughlin	293,334

The balance of the movements in shares for Mr Kallis (90,160 fully paid ordinary shares) and Mr O'Loughlin (1,150,000 fully paid ordinary shares) was a result in the acquisition of ordinary shares via on-market trades as disclosed to the ASX in accordance with the Listing Rules on various dates throughout the year.

Directors' Report
30 June 2014

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings	Audit Committee
Number of meetings held	9	2
Number of meetings attended:		
Derek Carter	7	-
Terry Kallis	9	-
Richard Bonython	8	2
Richard Hillis	7	-
Simon O'Loughlin	7	2
Lewis Owens	8	-
Donald Stephens	9	2

Members acting on the audit committee of the board are:

Simon O'Loughlin	Non-executive director
Donald Stephens	Company secretary/Non-executive director

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Grant Thornton Audit Pty Ltd, in its capacity as auditor for Petratherm Limited, has not provided any non-audit services throughout the year. Details of the auditor's remuneration can be found in note 23 to the financial statements. The auditor's independence declaration for the year ended 30 June 2014 as required under section 307C of the Corporations Act 2001 has been received and can be found on the following page.

Signed in accordance with a resolution of the board of directors.

Mr Terry Kallis
Managing Director

Dated this 30th day of September 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 audit of Petratherm Limited for the year ended 30 June 2014, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

		Consolidated	
		2014	**2013**
	Note	**$**	**$**
Revenue	3(a)	**19,253**	54,641
Other Income	3(a)	**2,912,344**	24,319
Impairment of exploration assets	3(b)	**(19,632,170)**	(42,797)
Employee benefits expense	3(b)	**(384,024)**	(500,368)
Depreciation expense	3(b)	**(15,123)**	(22,884)
Foreign exchange losses	3(b)	**(595,531)**	-
Other expenses	3(b)	**(533,549)**	(709,718)
Loss before income tax expense		**(18,228,800)**	(1,199,807)
Income tax (expense)/benefit	4	**(31,276)**	410,810
Total loss for the year		**(18,260,076)**	(788,997)
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities	17	**655,945**	275,455
Other comprehensive income for the year, net of tax		**655,945**	275,455
Total comprehensive income for the year		**(17,604,131)**	(513,542)
Total comprehensive income attributable to:			
Members of the parent entity		**(17,604,131)**	(513,542)
Non-controlling interest		**-**	-
		(17,604,131)	(513,542)
Earnings per share			
Basic earnings per share (cents)	5	**(8.50)**	(0.47)
Diluted earnings per share (cents)	5	**(8.50)**	(0.47)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
As At 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**527,201**	877,345
Trade and other receivables	7	**57,018**	100,530
Other assets	8	**10,536**	20,713
TOTAL CURRENT ASSETS		**594,755**	998,588
NON-CURRENT ASSETS			
Plant and equipment	9	**48,577**	63,700
Exploration and evaluation assets	10	**71,833**	19,310,735
TOTAL NON-CURRENT ASSETS		**120,410**	19,374,435
TOTAL ASSETS		**715,165**	20,373,023
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**288,569**	182,674
Employee benefit provisions	14	**17,177**	37,754
TOTAL CURRENT LIABILITIES		**305,746**	220,428
NON-CURRENT LIABILITIES			
Employee benefit provisions	14	**-**	15,002
Other long-term provisions	13	**193,076**	-
Other liabilities	15	**-**	2,898,000
TOTAL NON-CURRENT LIABILITIES		**193,076**	2,913,002
TOTAL LIABILITIES		**498,822**	3,133,430
NET ASSETS		**216,343**	17,239,593
EQUITY			
Issued capital	16	**32,806,049**	32,225,168
Reserves	17	**635,286**	23,391
Accumulated losses	18	**(33,224,992)**	(15,008,966)
TOTAL EQUITY		**216,343**	17,239,593

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2014

	Issued Capital	Retained Earnings	Foreign Currency Translation Reserve	Share Option Reserve	Non-controlling Interests	Total
	$	$	$	$	$	$
Balance at 1 July 2013	**32,225,168**	**(15,008,966)**	**(655,945)**	**679,336**	**-**	**17,239,593**
Profit attributable to members of the parent entity	**-**	**(18,260,076)**	**-**	**-**	**-**	**(18,260,076)**
Total other comprehensive income for the year	**-**	**-**	**655,945**	**-**	**-**	**655,945**
Transactions with owners in their capacity as owners						
Shares issued via rights issue	**649,733**	**-**	**-**	**-**	**-**	**649,733**
Shares issued via exercise of share options	**4,126**	**-**	**-**	**-**	**-**	**4,126**
Transaction costs	**(104,254)**	**-**	**-**	**-**	**-**	**(104,254)**
Tax portion of capital raising costs	**31,276**	**-**	**-**	**-**	**-**	**31,276**
Transfer to retained earnings from share option reserve upon cancellation of vested options	**-**	**44,050**	**-**	**(44,050)**	**-**	**-**
Balance at 30 June 2014	**32,806,049**	**(33,224,992)**	**-**	**635,286**	**-**	**216,343**
Balance at 1 July 2012	31,450,493	(14,260,619)	(931,400)	719,986	-	16,978,460
Profit attributable to members of the parent entity	-	(788,997)	-	-	-	(788,997)
Total other comprehensive income for the year	-	-	275,455	-	-	275,455
Transactions with owners in their capacity as owners						
Shares issued via rights issue	847,339	-	-	-	-	847,339
Shares issued via exercise of options	2,729	-	-	-	-	2,729
Transaction costs	(107,705)	-	-	-	-	(107,705)
Tax portion of capital raising costs	32,312	-	-	-	-	32,312
Transfer to retained earnings from share option reserve upon cancellation of vested options	-	40,650	-	(40,650)	-	-
Balance at 30 June 2013	32,225,168	(15,008,966)	(655,945)	679,336	-	17,239,593

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

		Consolidated	
		2014	**2013**
	Note	**$**	**$**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		**(803,675)**	(1,183,015)
Management fee		**1,993**	7,759
Interest received		**18,079**	45,768
Research & Development Tax offset received		**-**	443,122
Net cash provided by (used in) operating activities	20	**(783,603)**	(686,366)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		**-**	(2,975)
Payments for exploration activities		**(142,149)**	(502,516)
Joint Venture receipts		**22,525**	12,261
Net cash used by investing activities		**(119,624)**	(493,230)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**653,859**	850,068
Payment of transaction costs		**(100,776)**	(107,705)
Net cash provided by financing activities		**553,083**	742,363
Net increase (decrease) in cash and cash equivalents held		**(350,144)**	(437,233)
Cash and cash equivalents at beginning of year		**877,345**	1,314,578
Cash and cash equivalents at end of financial year	6(a)	**527,201**	877,345

The accompanying notes form part of these financial statements.

This financial report covers the consolidated financial statements and notes of Petratherm Limited ('the Company') as an individual entity and the consolidated Group comprising Petratherm Limited and its Controlled Entities ('the Group'). Petratherm Limited is a listed public Company incorporated and domiciled in Australia. The financial statements were authorised for issue by the Board of Directors on 30 September 2014.

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 separate financial statements and notes of the parent entity, Petratherm Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. Parent entity summary is included in note 30.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

Except for the cash flow information, the financial statements are prepared on an accruals basis and are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 24 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

1 Summary of Significant Accounting Policies (continued)

(b) Principles of Consolidation (continued)

Joint Arrangements

AASB 11 *Joint Arrangements* defines a joint arrangement as an arrangement of which two or more parties have joint control and classifies these arrangements as either joint ventures or joint operations.

Petratherm Limited has determined that it has only joint operations.

Joint operations:

In relation to its joint venture operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, Petratherm Limited has recognised:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation;
- Its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

The Group has entered into a number of Joint Ventures with various parties to explore certain tenements that the Group has beneficial interest in. A full list of these Joint Ventures, as well as the parties involved, can be found in Note 29.

(c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

1 Summary of Significant Accounting Policies (continued)

(c) Revenue and other income (continued)

Rendering of services

Revenue in relation to rendering of services is recognised depends on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

Interest revenue

Interest is recognised using the effective interest method.

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(d) Finance costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in income in the period in which they are incurred.

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments, with original maturities of six months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

(f) Trade and other receivables

Trade receivables, which generaly have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

1 Summary of Significant Accounting Policies (continued)

(g) Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially using trade date accounting, i.e. on the date that Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Classification and subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

1 Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability, extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

(h) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

- Taxable temporary differences arising on the initial recognition of goodwill.

- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utlised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that

1 Summary of Significant Accounting Policies (continued)

(h) Income Tax (continued)

it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Tax consolidation

Petratherm Limited and its wholly-owned Australian controlled entities have decided not to implement the tax consolidation legislation.

If the Group were to implement the tax consolidation legislation in the current or future reporting period, the consequence would be that Petratherm Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly owned Australian controlled entity in the group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue). The deferred tax balances recognised by the parent entity in relation to wholly owned entity joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime.

There will be no impact of the legislation on the Group's historical carrying amounts of its deferred tax assets, as these have not been recognised in the parent or Group’s financial statements.

(i) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

1 Summary of Significant Accounting Policies (continued)

(j) Plant and Equipment

Each class of plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a reducing balance method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Plant and Equipment	10 - 50%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(k) Impairment of non-financial assets

At the end of each reporting period, the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

1 Summary of Significant Accounting Policies (continued)

(l) Exploration expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through 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 recoverable reserves. As the asset is not available for use it is not depreciated or amortised.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the period in which the decision to abandon that area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and rehabilitation activities is recognised in property, plant and equipment and depreciated accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense which is recognised in finance costs. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology discounted to their present value.

Any changes in the estimates for the costs are accounted on a prospective basis in the consolidated statement of profit or loss and other comprehensive income. In determining the costs of site restoration, there is an uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that restoration will be completed within one year of abandoning the site.

(m) Trade and other payables

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

(o) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

1 Summary of Significant Accounting Policies (continued)

(o) Leases (continued)

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The lease is not recognised in the consolidated statement of financial position.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(p) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the consolidated statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(q) Equity-settled compensation

The Group provides benefits to employees of the Group in the form of share-based payments, whereby employees receive options incentives (equity-settled transactions).

There is currently one plan in place to provide these benefits, the Employee Share Option Plan (ESOP) which provides benefits to employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they were granted. The fair value is determined using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, together with a corresponding increase in the share option reserve, when the options are issued. However, where options have vesting terms attached, the cost of the transaction is amortised over the vesting period.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to issued capital.

1 Summary of Significant Accounting Policies (continued)

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(s) Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares.

Basic earnings per share is calculated by dividing the profit attributable to members of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

In accordance with AASB 133 ‘Earnings per Share’, as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account in 2014 and 2013.

(t) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

1 Summary of Significant Accounting Policies (continued)

(t) Foreign currency transactions and balances (continued)

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

Foreign operations

The translation of foreign operations with different functional currency from Australian dollars is performed as follows:

- Assets and liabilities (including goodwill and fair value adjustments on acquisition) for each consolidated statement of financial position presented are translated at the closing rate at the date of the statement;
- Income and expenses for each consolidated statement of profit or loss and other comprehensive income are translated at the rate at the date of the transaction (or an average rate if that rate approximates the rate at the date of transaction;
- All resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of the exchange difference related to that foreign operation recognised in other comprehensive income is reclassified from equity to profit or loss.

(u) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

1 Summary of Significant Accounting Policies (continued)

(u) Critical accounting estimates and judgments (continued)

Key judgments - exploration and evaluation expenditure

The Group's policy for exploration and evaluation is discussed in Note 1(l). The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the consolidated statement of profit or loss and other comprehensive income. Refer to Note 10 for further details and a reconciliation of the capitilised expenditure written off during the year.

(v) Going concern

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

The Group incurred a net loss before tax of $18,260,076 (2013: $788,997) during the year ended 30 June 2014, and had a net cash outflow of $903,227 (2013: $1,179,596) from operating and investing activities. The Group continues to be reliant upon the 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 annual financial report.

(w) Adoption of new and revised accounting standards

During the current year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investment in Associates and Joint Ventures*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*
- AASB 2012-9 *Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*
- *AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

1 Summary of Significant Accounting Policies (continued)

(w) Adoption of new and revised accounting standards (continued)

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards is discussed below.

AASB 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2013 and therefore the Group has applied it for the first time in these financial statements. AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10 supersedes the previous requirements of AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities* and resulted in consequential amendments to a number of other standards.

The Group has reviewed its investment in other entities to determine whether any changes were required to the consolidated entity under AASB 10. The composition of the consolidated entity is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures* and Interpretation 112 *Jointly-Controlled Entities - Non-monetary Contributions by Venturers* as well as consequential amendments to a number of other standards. AASB 11 uses the revised definition of control from AASB 10 and once joint control is determined, then classifies joint arrangements as either joint ventures or joint operations. Joint ventures are accounted for using the equity method, proportionate consolidation is not permitted under AASB 11. Joint operations are accounted for by incorporating the venturer's share of assets, liabilities, income and expenses into the financial statements. There were no changes to the accounting for joint arrangements under AASB 11.

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities. On adoption of AASB 12, additional disclosures have been included in the financial statements in relation to investments held.

AASB 13 *Fair Value Measurement* does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non-financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

AASB 119 *Employee benefits* changes the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits and termination benefits.

The Group reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period. Whilst this has been considered to be a long-term employee benefits for the purpose of measuring the leave under AASB 119, the effect of discounting was not considered to be material and therefore has not been performed.

In accordance with the transition provisions in the standard, the comparative figures have been restated.

(x) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

1 Summary of Significant Accounting Policies (continued)

(x) New Accounting Standards and Interpretations (continued)

Standard Name	Effective date for Group	Requirements	Impact
AASB 9 Financial Instruments AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009) AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments AASB 2014-1 Amendments to Australian Accounting Standards	30 June 2019	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income. AASB 2013 – 9 also permits an entity to elect to apply the own credit risk provisions without applying the other requirements in AASB 9 (2010). If an entity does so, it is required to disclose that fact and provide the disclosures in paragraphs 10-11 of AASB 7 concerning financial liabilities designated at fair value. AASB 2014-1 defers the effective date to 1 January 2018.	The impact of AASB 9 has not yet been determined.
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	30 June 2015	This Standard 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.	The adoption of this standard will not change the reported financial position and performance of the Group, there are no impact on disclosures as there are no offsetting arrangements currently in place.
AASB 2013 – 3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	30 June 2015	This standard amends AASB 136 to require additional disclosures about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique.	There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments AASB 2014-1 Amendments to Australian Accounting Standards	30 June 2015	This standard withdraws the substantive content in AASB 1031 and provides signpost references to materiality in other Australian Accounting Standards. AASB 2014 -1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality as each standard is amended for another purpose.	There is not expected to be any changes to the reported financial position, performance or cash flows of the Group.

1 Summary of Significant Accounting Policies (continued)

(x) New Accounting Standards and Interpretations (continued)

AASB 2014-1 Amendments to Australian Accounting Standards (2010 – 2012 cycle)	30 June 2015	The following standards and changes are made under AASB 2014-1: - AASB 2 Share-based Payments – amendments to definitions - AASB 3 Business Combinations – clarification that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date. - AASB 8 Operating Segments – amendments to disclosures - AASB 3 Business Combinations – references to contingent consideration - AASB 13 Fair value measurement – minor clarification re: measurement of short-term receivables and payables - AASB 116 Property, plant and equipment – clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. - AASB 124 Related Party Disclosures – clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. - AASB 138 Intangible Assets – clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.	There are not expected to be any changes to reported financial position or performance arising from the adoption of part A of AASB 2014-1.

2 Operating Segments

Segment information

The Group has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arisiing from AASB 8 with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the board in order to allocate resources to the segments and assess its performance.

Segment information reported externally was analysed on the basis of the business segments encountered by Petratherm (namely Exploration in both Australia and Spain). However, information reported to the Company's Managing Director for the purposes of resources allocation and assessment of performance is more specifically focused on the areas in which the Group is exploring in Australia and Spain, as well as the Company's Paralana Project. The Group's reportable segments under AASB 8 are therefore as follows:

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

Information regarding these segments is presented below. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

Segment performance

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	
	2014	2013	2014	2013
	$	$	$	$
Continuing Operations				
Paralana Project	**2,899,993**	7,759	**(13,767,312)**	-
Australia (Other)	**-**	-	**(5,712)**	(42,797)
Spain	**-**	-	**(2,959,153)**	(1,343)
Sub-total	**2,899,993**	7,759	**(16,732,177)**	(44,140)
Administration/corporate	**31,604**	68,201	**(1,481,500)**	(1,132,783)
Depreciation	**-**	-	**(15,123)**	(22,884)
Consolidated revenue	**2,931,597**	75,960		
Profit/(loss) before income tax			**(18,228,800)**	(1,199,807)
Income tax benefit/(expense)	**-**	-	**(31,276)**	410,810
Profit/(loss) for the year			**(18,260,076)**	(788,997)

The revenue reporting above represents revenue generated from release of grant income, financial institutions and joint venture management fees. There were no intersegment sales during the period.

Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs, depreciation and income tax (expense)/benefit. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

2 Operating Segments (continued)

Segment assets and liabilities

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 Group has not reported on segment liabilities as such amounts are not regularly provided to the chief operating decision maker.

The following is an analysis of the Group's assets by reportable operating segment:

	Opening Balance		Exploration Expenditure		Forex Movement		Impairment		Closing Balance	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$	$	$	$	$	$	$	$	$	$
Paralana Project	**16,440,546**	16,250,463	**226,759**	190,083	**-**	-	**(16,667,305)**	-	**-**	16,440,546
Australia (ex Paralana)	**43,811**	-	**33,733**	86,608	**-**	-	**(5,712)**	(42,797)	**71,832**	43,811
Spain	**2,826,379**	2,332,661	**72,361**	218,263	**60,414**	275,455	**(2,959,154)**	-	**-**	2,826,379
Total segment assets	**19,310,736**	18,583,124	**332,853**	494,954	**60,414**	275,455	**(19,632,171)**	(42,797)	**71,832**	19,310,736
Reconciliation of segment assets to Group assets										
Administration/corporate (i)										
- Opening balance	**1,062,287**	1,502,148								
- Closing balance	**-**	-							**643,333**	1,062,287
Closing balance at 30 June (Total group assets)	**20,373,023**	20,085,272							**715,165**	20,373,023

(i) Administration assets largely relate to unallocated cash assets.

Notes to the Financial Statements
For the Year Ended 30 June 2014

3 Revenue and expenses

(a) Revenue and other income

	Consolidated 2014 $	Consolidated 2013 $
i) Revenue		
Management fees	**1,993**	7,759
Bank interest received or receivable	**17,260**	43,882
Total Revenue	**19,253**	54,641
ii) Other Income		
Government grants *	**2,898,000**	-
Other income	**14,344**	24,319
Total Other Income	**2,912,597**	24,319

* Government grant monies associated with the Commonwealth government's geothermal drilling program received in 2011 and previously recognised as deferred income.

(b) Expenses

	2014 $	2013 $
Impairment of Non-Current Assets		
Capitalised tenement costs written off	**19,632,170**	42,797
Total impairment of non-current assets	**19,632,170**	42,797
Depreciation of Non-Current Assets		
Plant and equipment	**15,123**	22,884
Total depreciation of non-current assets	**15,123**	22,884
Employee Benefits Expense		
Wages, salaries, directors fees and other remuneration expenses	**413,128**	466,528
Superannuation	**6,475**	33,797
Transfer to annual leave provision	**(8,606)**	7,163
Transfer to/(from) long service leave provision	**(26,973)**	(7,120)
Total employee benefits expense	**384,024**	500,368
Foreign exchange loss	**595,531**	-
Other Expenses from Ordinary Activities		
Secretarial, professional and consultancy	**99,464**	176,841
Travel expenses	**17,539**	40,257
Promotion and advertising	**3,828**	5,265
Occupancy costs	**189,954**	165,795
Share register maintenance	**23,045**	27,352
Insurance costs	**14,266**	33,744
Conference & seminars	**1,212**	18,553
Entertainment	**8,192**	13,169
AGM expenses	**51,126**	41,601
Audit fees	**27,963**	28,450
Listing fees	**21,394**	23,054
Subscriptions, publications & memberships	**15,434**	32,295
Legal fees	**3,300**	5,440
Bank charges	**5,327**	6,258
Communication & computer expenses	**22,340**	25,281
Office expenses	**13,722**	26,631
Other expenses	**15,443**	39,732
Total other expenses from ordinary activities	**533,549**	709,718

4 Income Tax Expense

(a) The major components of tax expense (benefit) comprise:

	Consolidated	
	2014	**2013**
	$	**$**
Current tax expense		
Current income tax charge/(benefit)	**31,276**	32,312
Research & development tax offset	**-**	(443,122)
Total income tax expense/(benefit)	**31,276**	(410,810)

(b) Reconciliation of income tax to accounting profit/(loss):

	2014	2013
Accounting loss before income tax	**(18,228,800)**	(1,199,807)
Group's statutory income tax rate	**30%**	30%
	(5,468,640)	(359,942)
Add:		
Tax effect of:		
- expenditure not allowable for income tax purposes	**4,444,430**	11,219
- other deductible items	**(693,363)**	348,786
- tax portion of share issue costs	**31,276**	32,312
	(1,686,297)	32,375
Less:		
Tax effect of:		
- tax losses not recognised due to not meeting recognition criteria	**(1,717,573)**	(63)
- Research & development tax offset	**-**	443,122
Income tax expense/(benefit)	**31,276**	(410,810)

The Group has tax losses arising in Australia of $32,681,278 (2013: $31,578,456) that may be available and may be offset against future taxable profits of the companies in which the losses arose.

No deferred tax asset has been recognised because it is not likely future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised.

(c) Tax Consolidation

Petratherm Limited and its wholly-owned Australian controlled entities have decided not to implement the tax consolidation legislation. The accounting policy relating to the possible implementation of the tax consolidation legislation is set out in Note 1(h), together with the impact on the income tax expense for the year.

Notes to the Financial Statements
For the Year Ended 30 June 2014

5 Earnings per Share

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

(a) Reconciliation of earnings to profit or loss from continuing operations

	Consolidated	
	2014	**2013**
	$	**$**
Net loss attributable to ordinary equity holders of the parent	**(18,260,076)**	(788,997)
Earnings used to calculate basic EPS from continuing operations	**(18,260,076)**	(788,997)
Earnings used in the calculation of dilutive EPS from continuing operations	**(18,260,076)**	(788,997)

(b) Earnings used to calculate overall earnings per share

Earnings used to calculate overall earnings per share	**(18,260,076)**	(788,997)

(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	Consolidated	
	2014	**2013**
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**214,900,108**	167,262,510
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**214,900,108**	167,262,510

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account in 2014 or 2013.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2014

6 Cash and cash equivalents

		Consolidated	
		2014	2013
	Note	$	$
Cash at bank and in hand		**164,798**	299,802
Short-term bank deposits		**362,403**	577,543
Total cash and cash equivalents	6(a)	**527,201**	877,345

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(a) Reconciliation of cash

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

Cash and cash equivalents		**527,201**	877,345
Balance as per consolidated statement of cash flows		**527,201**	877,345

7 Trade and other receivables

CURRENT			
Trade receivables	7(a)	**2,485**	2,420
VAT/GST receivable		**54,533**	44,058
JV contributions receivable	7(b)	**-**	54,052
Total current trade and other receivables		**57,018**	100,530

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No impairment was recognised in 2014 or 2013 and no receivables are past due at reporting date.

(b) JV contributions receivable

Contributions receivable relate to amounts due from joint venture parties.

8 Other assets

CURRENT			
Prepayments		**10,536**	16,692
Accrued income		**-**	4,021
Total current other assets		**10,536**	20,713

Notes to the Financial Statements
For the Year Ended 30 June 2014

9 Plant and equipment

	Consolidated	
	2014	**2013**
	$	**$**
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	**345,516**	349,070
Accumulated depreciation	**(296,939)**	(285,370)
Total plant and equipment	**48,577**	63,700

(a) Movements in carrying amounts of plant and equipment

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current and previous financial years:

	Plant and Equipment	Total
Consolidated	**$**	**$**
Year ended 30 June 2014		
Balance at the beginning of year	**63,700**	**63,700**
Additions	**-**	**-**
Disposals - written down value	**-**	**-**
Depreciation expense	**(15,123)**	**(15,123)**
Balance at the end of the year	**48,577**	**48,577**
Year ended 30 June 2013		
Balance at the beginning of year	83,977	83,977
Additions	2,607	2,607
Depreciation expense	(22,884)	(22,884)
Balance at the end of the year	63,700	63,700

(b) Impairment of plant and equipment

No material impairment loss was recognised or reversed for the years ended 30 June 2014 and 2013 with respect to plant and equipment.

The depreciation rates of the assets were estimated as follows for both 2014 and 2013:

Plant and equipment - 10 - 50% (Diminishing value)

10 Exploration and evaluation assets

	Consolidated	
	2014	**2013**
	$	**$**
Exploration and evaluation costs carried forward in respect of Geothermal areas of interest		
Exploration and evaluation phases	**71,833**	19,310,735
Total exploration and evaluation assets	**71,833**	19,310,735

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective geothermal areas.

Capitalised tenement expenditure movement reconciliation

Consolidated	**Exploration and Evaluation Phases** **$**
2014	
Balance at beginning of the year	**19,310,735**
Additions through expenditure capitalised	**310,329**
Joint venture contributions	**22,525**
Forex movement	**60,414**
Write off of tenements/impairment	**(19,632,170)**
Balance at end of the year	**71,833**
2013	
Balance at beginning of the year	18,583,124
Additions through expenditure capitalised	482,847
Joint venture contributions	12,261
Forex movement	275,300
Write off of tenements relinquished	(42,797)
Balance at end of the year	19,310,735

The impairment expense of $19,632,170 (2013: $42,797) arose from a review of the Group’s capitalised costs and the relevant tenements to which the costs related. Costs written off related to tenements relinquished during the year.

11 Share-based Payments

(i) Employee Share Option Plan

The Group established the Petratherm Limited Employee Share Option Plan and a summary of the Rules of the Plan are set out below:

- All employees (full and part time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by a member of the Group, although the Board may waive this requirement.

- Options are granted under the Plan at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee.

11 Share-based Payments (continued)

- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue. Options will be issued free. The exercise price of options will be determined by the Board, subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to offer those options. The total number of shares, the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.

- If, prior to the expiry date of options, a person ceases to be an employee of the Group for any reason other than retirement at age 60 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 6 months from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.

- Options cannot be transferred other than to the legal personal representative of a deceased option holder.

- The Company will not apply for official quotation of any options issued under the plan.

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

- Option holders may only participate in new issues of securities by first exercising their options.

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

The expense recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in relation to share-based payments is disclosed in Note 3(b).

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year:

A summary of the Company options issued is as follows:

2014 Exercise price WAEP	Start of the year No.	Granted during the year No.	Exercised during the year No.	Cancelled during the year No.	Balance at the end of the year No.	Vested and exercisable at the end of the year No.
0.24	2,300,000	-	-	-	2,300,000	2,300,000
0.37	-	-	-	(200,000)	(200,000)	(200,000)
	2,300,000	-	-	(200,000)	2,100,000	2,100,000

The WAEP of issued options that are exercisable as at 30 June 2014 is $0.31.

11 Share-based Payments (continued)

2013 Exercise Price WAEP	Start of the year No.	Granted during the year No.	Exercised during the year No.	Cancelled during the year No.	Balance at the end of the year No.	Vested and exercisable at the end of the year No.
0.26	2,330,000	-	-	-	2,330,000	2,330,000
0.37	-	-	-	(30,000)	(30,000)	(30,000)
	2,330,000	-	-	(30,000)	2,300,000	2,300,000

The WAEP of issued options that are exercisable as at 30 June 2013 is $0.24.

The outstanding balance as at 30 June 2014 is represented by:

- A total of 350,000 options exercisable any time until 23 December 2014 with a strike price of $0.50.
- A total of 600,000 options exercisable any time until 5 July 2015 with a strike price of $0.20.
- A total of 800,000 options exercisable any time until 30 January 2016 with a strike price of $0.15.
- A total of 350,000 options exercisable any time until 8 January 2017 with a strike price of $0.14.

The weighted average remaining contractual life of options outstanding at year end was 0.99 years (2013: 1.85 years).

The range of exercise prices for options outstanding at the end of the year was $0.14 - $0.50 (2013: $0.14 - $0.56).

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

There were no employee options granted in the years ended 30 June 2014 and 30 June 2013.

Director options

The Group issues options to Directors in order to retain their services and provide incentive linked to the performance of the Company. Shareholder approval is sought for all options issued to Directors in accordance with applicable legislation.

No options were issued during the financial year (2013: Nil). Full details of option holdings of Directors and company secretary are disclosed in the Remuneration Report contained in the Directors' Report.

Notes to the Financial Statements

For the Year Ended 30 June 2014

12 Trade and other payables

	Note	Consolidated 2014 $	2013 $
CURRENT			
Unsecured liabilities			
Trade payables	12(a)	**77,938**	78,452
Directors' remuneration payable*	12(b)	**154,232**	-
Other payables		**56,399**	104,222
Total current trade and other payables		**288,569**	182,674

(a) Trade payables are non-interest bearing and normally settled on 60-day terms.

(b) During the year the Directors forewent half of their director fees, the remaining half has been accrued as at 30 June 2014, being $30,000 for Mr Carter, $22,500 for Messrs Kallis, Bonython, O'Loughlin, Owen and Hillis, and $9,000 for Mr Stephens. Subsequent to year end the amount accrued was settled by way of a share issued approved via shareholder resolution at the Company's EGM on 23 July 2014.

13 Provisions

	2014	2013
NON-CURRENT		
Environmental rehabilitation*	**193,076**	-
Total non-current provisions	**193,076**	-

Consolidated

	Environmental rehabilitation $
Non-current	
Balance at 1 July 2013	**-**
Additional provisions	**193,076**
Balance at 30 June 2014	**193,076**

*Provision for Environmental Rehabilitation at the Paralana Project as agreed by the Group and the JV Partner.

14 Employee Benefits

	2014	2013
CURRENT		
Long service leave	**12,408**	24,379
Annual leave	**4,769**	13,375
Total current employee benefits liability	**17,177**	37,754
NON-CURRENT		
Long service leave	**-**	15,002
Total non-current employee benefits liability	**-**	15,002

14 Employee Benefits (continued)

(a) Current employee benefits

A provision has been recognised for employee entitlements relating to annual leave. Annual leave is expected to be settled within 12 months of the reporting date.

(b) Non-current employee benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1(p) to this report.

15 Other liabilities

NON-CURRENT		
Deferred government grants	-	2,898,000
Total non-current other liabilities	**-**	2,898,000

On write-off of the Paralana Project, the previously received governments grants have been released to the profit or loss.

Notes to the Financial Statements
For the Year Ended 30 June 2014

16 Issued Capital

	Consolidated	
	2014	**2013**
	$	**$**
242,177,951 (2013: 177,067,166) Ordinary shares	**32,806,049**	32,225,168
Total issued capital	**32,806,049**	32,225,168

(a) Ordinary shares

	Consolidated	
	2014	**2013**
	No.	**No.**
At the beginning of the reporting period	**177,067,166**	148,731,583
Shares issued during the year		
- Shares issued via rights issue	**64,073,270**	28,244,647
- Exercise of share options	**137,515**	90,936
At the end of the reporting period	**241,277,951**	177,067,166

The holders of ordinary shares are entitled to participate in dividends (in the event when a dividend is declared) and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

In the event of winding up the Company, ordinary shareholders rank after all creditors and are fully entitled to any net proceeds of liquidation.

(b) Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in Notes 16, 17 and 18 respectively.

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.

17 Reserves

	Note	Consolidated 2014 $	2013 $
Foreign currency translation reserve			
Balance at beginning of financial year		**(655,945)**	(931,400)
Foreign exchange translations		**60,414**	275,455
Foreign currency losses taken to profit or loss		**595,531**	-
Balance at the end of the year	17(a)	**-**	(655,945)
Share option reserve			
Balance at beginning of financial year		**679,336**	719,986
Cancellation of vested options		**(44,050)**	(40,650)
Balance at end of the year	17(b)	**635,286**	679,336
Total reserves		**635,286**	23,391

(a) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve as discussed in Note 1(t). The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(b) Share option reserve

This reserve records items recognised as expenses on valuation of employee share options and other equity settled transactions.

18 Accumulated losses

	2014 $	2013 $
Accumulated losses at the beginning of the financial year	**(15,008,966)**	(14,260,619)
Net loss attributable to members of the parent entity	**(18,260,076)**	(788,997)
Transfer from share option reserve on cancellation of vested options	**44,050**	40,650
Accumulated losses at end of the financial year	**(33,224,992)**	(15,008,966)

19 Non-controlling interests

	2014 $	2013 $
Contributed capital	**1,299**	1,299
Opening share of losses	**(1,299)**	(1,299)
Balance at end of financial year	**-**	-

Notes to the Financial Statements
For the Year Ended 30 June 2014

20 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

	Consolidated	
	2014	**2013**
	$	**$**
Net loss	**(18,260,076)**	(788,997)
Non-cash flows in profit:		
- depreciation	**15,123**	22,884
- impairment of non-current assets	**19,632,170**	42,797
- non-cash income tax expense	**31,276**	(410,810)
- deferred government grants	**(2,898,000)**	-
Loss on exchange differences	**595,531**	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**40,198**	228,094
- (increase)/decrease in prepayments	**(10,177)**	(22,905)
- (increase)/decrease in net GST receivable	**(845)**	(18,531)
- increase/(decrease) in trade and other payables	**106,777**	261,060
- increase/(decrease) in employee benefits	**(35,579)**	42
Net cash (used in)/provided by operating activities	**(783,603)**	(686,366)

21 Capital and Leasing Commitments

(a) Operating Leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year	**-**	127,016
- between one year and five years	**-**	21,169
Minimum lease payments	**-**	148,185

(b) Exploration leases

In order to maintain current rights of tenure to exploration tenements, the Group will be required to outlay $77,000 (2013: $207,869) in respect of tenement lease rentals and to meet minimum expenditure requirements. These obligations are expected to be fulfilled in the normal course of operations.

22 Contingencies

At the date of signing this report, the Group is not aware of any contingent asset or liability that should be disclosed in accordance with AASB 137.

It is, however, noted that the Company has entered into various bank guarantees with a number of State Governments in Australia, totalling $130,000 at 30 June 2014 (2013: $145,000). These guarantees are designed to act as collateral over the tenements which Petratherm explores on and can be used by the relevant Government authorities in the event that Petratherm does not sufficiently rehabilitate the land it explores. It is noted that the bank guarantees have as at the date of signing this report have not been utilised by any State Government.

The Company also has a bank guarantee of $62,403 (2013: $62,403) held against the office lease.

23 Remuneration of Auditors

	Consolidated	
	2014	**2013**
	$	**$**
Remuneration of the auditor of the Company, Grant Thornton Audit Pty Ltd, for:		
- auditing or reviewing the financial report	**27,963**	31,075
Total remuneration of auditors	**27,963**	31,075

No non-audit services have been provided.

24 Interests in Subsidiaries

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2014	Percentage Owned (%)* 2013
Subsidiaries:			
MNGI Pty Ltd	Australia	**100**	100
PetraGas Ltd (formerly Heliotherm Ltd)	Australia	**100**	100
PTR Holdings BV	Netherlands	**100**	100
Petratherm Espana SL	Spain	**93**	93

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

25 Financial Risk Management

Categories of financial instruments

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated	
		2014	2013
		$	$
Financial Assets			
Cash and cash equivalents	6	**527,201**	877,345
Loans and receivables	7	**57,018**	100,530
Total financial assets		**584,219**	977,875
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	12	**288,569**	182,674
Total financial liabilities		**288,569**	182,674

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Market risk

(i) Cash flow interest rate sensitivity

The Company is exposed to interest rate risk as it holds some bank deposits at floating rates.

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term deposits are therefore usually at fixed rates. At the reporting date, the Company is exposed to changes in market interest rates through its bank deposits, which are subject to variable interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +0.50% and -0.50% (2013: +0.50%/-0.50%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions.

25 Financial Risk Management (continued)

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

	2014		2013	
	+0.50%	-0.50%	+0.50%	-0.50%
	$	$	$	$
Cash and cash equivalents				
Net results	**3,291**	**(3,291)**	4,387	(4,387)
Equity	**3,291**	**(3,291)**	4,387	(4,387)

(ii) Financial instrument composition and maturity analysis

The following table details the Group's expected maturity and remaining contractual maturity for its non-derivative financial assets and liabilities respectively.

The Company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year		Maturing 1 to 5 Years	
	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	$	$	$	$	$	$
Financial Assets:								
Cash and cash equivalents	**3.51**	3.38	**164,798**	299,802	**362,403**	577,543	**-**	-
Trade and other receivables	**-**	-	**-**	-	**-**	-	**-**	-
Total Financial Assets			**164,798**	299,802	**362,403**	577,543	**-**	-
Financial Liabilities:								
Trade and other payables	**-**	-	**-**	-	**-**	-	**-**	-
Total Financial Liabilities			**-**	-	**-**	-	**-**	-

	Non-interest Bearing		Total	
	2014	2013	2014	2013
	$	$	$	$
Financial Assets:				
Cash and cash equivalents	**-**	-	**527,201**	877,345
Trade and other receivables	**57,018**	100,530	**57,018**	100,530
Total Financial Assets	**57,018**	100,530	**584,219**	977,875
Financial Liabilities:				
Trade and other payables	**288,569**	182,674	**288,569**	182,674
Total Financial Liabilities	**288,569**	182,674	**288,569**	182,674

The Company is not materially exposed to any effects on changes in interest rates.

25 Financial Risk Management (continued)

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, whom have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

26 Related Parties

(a) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

- HLB Mann Judd (SA) Pty Limited has received professional fees for accounting, taxation and secretarial services provided during the year totalling $136,829 (2013: $176,682). Donald Stephens, the Company Secretary and Non-Executive Director, is a consultant with HLB Mann Judd (SA) Pty Limited. DCS Corporate Pty Ltd of which Donald is a director received director fees of $6,828 (2013: NIL). All transactions were conducted on commercial terms and were arm's length transactions. At 30 June 2014, the Group owed $17,766.69 to HLB Mann Judd (SA) Pty Ltd.

- O'Loughlins Lawyers, of which Simon O'Loughlin is a partner, received legal fees of $27,597 (2013: $66,142) during the year. At 30 June 2014, the Group owed $4,441.25 to O'Loughlins Lawyers.

- During the year the Directors forewent half of their director fees, the remaining half has been accrued as at 30 June 2014, being $30,000 for Mr Carter, $22,500 for Messrs Kallis, Bonython, O'Loughlin, Owen and Hillis, and $9,000 for Mr Stephens. Subsequent to year end the amount accrued was settled by way of a share issued approved via shareholder resolution at the Company's EGM on 23 July 2014.

(b) Wholly owned group transactions

Loans

The wholly owned Group consists of Petratherm Limited and its wholly owned controlled entities MNGI Pty Limited, PetraGas Limited (Formally Heliotherm Limited) , PTR Holdings BV and majority owned Petratherm Espana SL. Ownership interests in the controlled entity are set out in Note 24.

Transactions between Petratherm Limited and its subsidiaries during the year consisted of loans advanced by Petratherm Limited to fund exploration and investment activities. The closing value of the loan to its wholly owned subsidiary is contained within the consolidated statement of financial position under current assets. Intercompany and cash movements throughout the year are detailed within the body of the consolidated statement of cash flows under 'Loans to wholly-owned subsidiary'.

(c) Interests of Key Management Personnel (KMP)

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

26 Related Parties (continued)

(c) Interests of Key Management Personnel (KMP) (continued)

The following individuals are classified as key management personnel in accordance with AASB 124 Related Party Disclosures:

Derek Carter (Chairman) (retired 31 March 2014)

Terry Kallis (Managing Director)

Richard Bonython (Non-Executive Director) (retired 31 March 2014)

Richard Hillis (Non-Executive Director) (retired 31 March 2014)

Simon O'Loughlin (Non-Executive Director)

Lewis Owens (Non-Executive Director) (retired 31 March 2014)

Donald Stephens (Company Secretary and Non-Executive Director) (appointed as non-executive director on 31 March 2014))

Peter Reid (Exploration Manager)

For details of Key Management Personnel’s interests in shares and options of the Company, refer to Note 27: Key Management Personnel Disclosures. The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

27 Key Management Personnel Disclosures

Key management personnel remuneration included within employee expenses for the year is shown below:

	2014 $	2013 $
Short-term employee benefits	**362,210**	527,600
Post-employment benefits	**2,075**	21,333
Share-based payments	**-**	-
Total remuneration paid to key management personnel	**364,285**	548,933

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 26: Related Party Transactions.

28 Events Occurring After the Reporting Date

The financial report was authorised for issue on 30 September 2014 by the Board of Directors.

28 Events Occurring After the Reporting Date (continued)

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

29 Additional information

Joint Ventures

Beach Energy Limited is an oil & gas company that farmed-in to the Paralana Project in January 2007. Beach currently have 21% and can earn up to 36% of the project for $30 million plus their equity share of project costs.

30 Parent entity

The following information has been extracted from the books and records of the parent, Petratherm Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Petratherm Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation

Petratherm Limited and its wholly-owned Australian controlled entities have not yet decided to implement the tax consolidation legislation as of 1 July 2007.

If the Group were to implement the tax consolidation legislation in the current or future reporting period, the consequence would be that Petratherm Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly owned Australian controlled entity in the group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue). The deferred tax balances recognised by the parent entity in relation to wholly owned entity joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime.

There will be no impact of the legislation on the Group's historical carrying amounts of its deferred tax assets, as these have not been recognised in the parent or Group’s financial statements.

30 Parent entity (continued)

	2014	2013
	$	$
Consolidated Statement of Financial Position		
Assets		
Current assets	**474,674**	842,253
Non-current assets	**34,108**	16,533,197
Total Assets	**505,692**	17,375,450
Liabilities		
Current liabilities	**289,349**	154,563
Non-current liabilities	**-**	15,002
Total Liabilities	**289,349**	169,565
Equity		
Issued capital	**32,806,048**	32,225,168
Accumulated losses	**(33,224,991)**	(15,698,619)
Reserves	**635,286**	679,336
Total Equity	**216,343**	17,205,885
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
(Loss) for the year	**(17,358,949)**	(1,127,772)
Other comprehensive income	**-**	-
Total comprehensive income	**(17,358,949)**	(1,127,772)

Contingent liabilities

Contingent liabilities of the parent entity have been incorporated into the Group information in Note 22. The contingent liabilities of the parent are consistent with that of the Group.

Contractual commitments

Contractual commitments of the parent entity have been incorporated into the Group information in Note 21. The contractual commitments of the parent are consistent with that of the Group.

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2014 are in accordance with the *Corporations Act 2001* and:

    a. comply withAustralian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

2. the Managing Director and Company Secretary have given the declarations required by Section 295A that:

    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    b. the financial statements and

    notes for the financial year comply with the Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view.

3. 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 ....

Terry Kallis
Managing Director

Dated this 30th day of September 2014

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PETRATHERM LIMITED

Report on the financial report

We have audited the accompanying financial report of Petratherm Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

a the financial report of Petratherm Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern
The consolidated entity incurred a net loss after tax of $18,260,076 during the year ended 30 June 2014, and had a net cash outflow of $903,227 from operating and investing activities. The consolidated entity continues to be reliant upon completion of a capital raising for continued operations and provision of working capital.

Grant Thornton

Without qualifying our audit opinion, attention is drawn to Note 1(v) – Going Concern 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 asset and discharge its liabilities in the normal course of business and at amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Petratherm Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 September 2014