

# **Petratherm Ltd**

**ACN 106 806 884**

## **Half Year Report**

**for the half year ended 31 December 2014**

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## Directors' Report

The directors of Petratherm Ltd ('Petratherm') present their Report together with the financial statements of the consolidated entity, being Petratherm ('the Company') and its controlled entities ('the Group') for the half year ended 31 December 2014 and the Independent Auditor's Review Report thereon.

### Director Details

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

Mr. Simon O'Loughlin, Non-Executive Chairman  
Mr. Terry Kallis, Executive Director  
Mr. Donald Stephens, Non-Executive Director

### Operating Result

The group's loss for the half year ended 31 December 2014 after providing for income tax amounted to \$239,253 (2013: \$3,581,095).

### PRINCIPAL ACTIVITIES

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

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

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

### Review of Operations

#### Summary

- \$13 million Emerging Renewables Program (ERP) Grant lapsed
- Paralana project assets impaired as a consequence of ERP lapse - resulting in a write down of \$17 million
- The company continues to preserve its cash reserves with limited expenditure on exploration activities.
- New projects are being actively pursued that will lead to creating shareholder value.
- In the post reporting period, a fully underwritten 1 for 1 non-renounceable rights issue at \$0.002 was completed.

During the reporting period the Company announced that the \$13 million ERP grant lapsed and as a consequence that the grant funding deed would be terminated with no funds being paid to Petratherm.

The ERP grant awarded was subject to two key contractual requirements;

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

As a consequence of the ERP grant lapse the \$24.5 million Renewable Energy Demonstration Program Grant conditions could not be met and the Paralana project assets were impaired consistent with good accounting practice. The write down of the Paralana assets has been reflected in the in Annual Report to Shareholders

Six monthly exploration and evaluation costs amounted to \$9,199 relating to the Paralana project which have been expensed. There were no exploration activities undertaken on the Company's sole Tasmanian oil & gas tenement. The Company had ongoing administration costs of \$312,704, primarily relating to compliance and office costs during the half year. At the end of the six month reporting period the Company held \$261,969 in cash.

The Company is continuing to explore ways of containing costs whilst reviewing new projects and recently moved into lower cost premises.

Post the reporting period the Company announced a fully underwritten 1 for 1 non-renounceable rights issue at a price of \$0.002 to raise approximately \$504,556 before costs. The Company advised on the 2 March 2015 it had raised \$190,476. Taylor Collison Limited (Taylor Collison) are party to an underwriting agreement, under which the Company grants Taylor Collison to place all of the Shortfall Shares within three months after the Closing Date, being 25 May 2015.

The Company will apply those funds to ongoing working capital and assessing/acquiring new projects.

**Auditor's independence declaration**

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2014.

Signed in accordance with a resolution of the directors.

A handwritten signature in dark ink, appearing to read 'T. Kallis', with a small flourish at the end.

Mr Terry Kallis  
Managing Director  
12 March 2015

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Petratherm Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S K Edwards  
Partner – Audit & Assurance

Adelaide, 12 March 2015

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# Interim consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2014

	Consolidated Group	
	Half-year ended	
	31 Dec 2014	31 Dec 2013
	\$	\$
Revenue from ordinary activities	6,870	22,319
Loss on sale of Non-Current Assets	(34,577)	-
Impairment of exploration assets	(6,842)	(3,107,279)
Employee benefits expense	(68,815)	(189,815)
Depreciation expense	-	(7,620)
Other expenses	(186,844)	(271,210)
<b>Loss before income tax expense</b>	<b>(290,208)</b>	<b>(3,553,605)</b>
Income tax benefit/(expense)	50,955	(27,490)
<b>Loss attributable to members of the parent entity</b>	<b>(239,253)</b>	<b>(3,581,095)</b>
<b>Other comprehensive income</b>		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	-	217,416
<b>Total comprehensive loss for the period attributable to members of the parent</b>	<b>(239,253)</b>	<b>(3,363,679)</b>
<b>Earnings per share:</b>	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(0.09)	(1.90)
Diluted earnings per share	(0.09)	(1.90)

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

# Interim consolidated statement of financial position

As at 31 December 2014

		Consolidated Group	
		31 December 2014	30 June 2014
	Note	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		261,969	527,201
Trade and other receivables		12,828	57,018
Other current assets		11,064	10,536
<b>TOTAL CURRENT ASSETS</b>		<b>285,861</b>	<b>594,755</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		-	48,577
Exploration and evaluation assets	4	72,579	71,833
<b>TOTAL NON-CURRENT ASSETS</b>		<b>72,579</b>	<b>120,410</b>
<b>TOTAL ASSETS</b>		<b>358,440</b>	<b>715,165</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		36,775	288,569
Short-term provisions		-	17,177
<b>TOTAL CURRENT LIABILITIES</b>		<b>36,775</b>	<b>305,746</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term provisions	5	193,076	193,076
Other non-current liabilities		-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>193,076</b>	<b>193,076</b>
<b>TOTAL LIABILITIES</b>		<b>229,851</b>	<b>498,822</b>
<b>NET ASSETS</b>		<b>128,589</b>	<b>216,343</b>
<b>EQUITY</b>			
Issued capital	6	32,957,548	32,806,049
Reserves		559,686	635,286
Accumulated losses		(33,388,645)	(33,224,992)
<b>TOTAL EQUITY</b>		<b>128,589</b>	<b>216,343</b>

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



## Interim consolidated statement of changes in equity

For the half-year ended 31 December 2014

	Note	Consolidated Group				
		Issued Capital Ordinary	Share Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>		32,225,168	679,336	(655,945)	(15,008,966)	17,239,593
Total comprehensive (loss)/profit		-	-	217,416	(3,581,095)	(3,363,679)
Issue of shares by way of rights issue		649,587	-	-	-	649,587
Exercise of share options		4,271	-	-	-	4,271
Transaction costs (net of tax)		(64,143)	-	-	-	(64,143)
Transfer from share based payment reserve upon lapse of options		-	(44,050)	-	44,050	-
<b>Balance at 31 December 2013</b>		<b>32,814,883</b>	<b>635,286</b>	<b>(438,529)</b>	<b>(18,546,011)</b>	<b>14,465,629</b>
<b>Balance at 1 July 2014</b>		32,806,049	635,286	-	(33,224,992)	216,343
Total comprehensive (loss)/profit		-	-	-	(239,253)	(239,253)
Issue of shares		151,499	-	-	-	151,499
Transfer from share based payment reserve upon lapse of options		-	(75,600)	-	75,600	-
<b>Balance at 31 December 2014</b>		<b>32,957,548</b>	<b>559,686</b>	<b>-</b>	<b>(33,388,645)</b>	<b>128,589</b>

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

## Interim consolidated statement of cash flows

For the half-year ended 31 December 2014

	Consolidated Group	
	Half year ended 31 Dec 2014 \$	Half year ended 31 Dec 2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(326,704)	(492,076)
Research & Development Tax offset received	50,955	-
Management Fee	408	1,464
Interest received	3,202	9,078
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>(272,139)</b>	<b>(481,534)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	14,000	-
Joint Venture receipts	2,107	-
Payments for exploration activities	(9,199)	(118,853)
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>	<b>6,908</b>	<b>(118,853)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	653,858
Payment of transaction costs for issue of shares	-	(91,633)
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>-</b>	<b>562,225</b>
Net increase/(decrease) in cash and cash equivalents	(265,231)	(38,162)
Net foreign exchange differences	(1)	(1,234)
Cash at the beginning of the period	527,201	877,345
<b>CASH AT THE END OF THE PERIOD</b>	<b>261,969</b>	<b>837,949</b>

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

# Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

## 1. Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 12 March 2015.

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

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

### Statement of compliance

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

### Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2014, except for the application of the following standards as of 1 July 2014:

*AASB 1031: Materiality*

*AASB 1055: Budgetary Reporting*

*AASB 2013-1, Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements*

*AASB 2013-4, Novation of Derivatives and Continuation of Hedge Accounting*

*AASB 2013-5, Investment Entities*

*AASB 2013-9, Conceptual Framework, Materiality and Financial Instruments*

*AASB 2014-2, Amendments to AASB 1053 - Transition to and between Tiers, and related Tier 2 Disclosure Requirements*

## **Notes to the condensed interim consolidated financial statements**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

AASB 2014-1, Amendments to Australian Accounting Standards Part A, B and C

These standards make changes to a number of existing Australian Accounting Standards and are not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

Management has reviewed the new requirements of the above standards and has concluded that there is no effect on the classification or presentation of balances.

### **Significant events and transactions**

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

### **3. Segment reporting**

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

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

During the six month period to 31 December 2014, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

## Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 3. Segment reporting (continued)

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

	Segment Revenue		Segment Result	
	Half Year ended		Half Year ended	
	31-Dec	31-Dec	31-Dec	31-Dec
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Continuing Operations</b>				
Australia (ex Paralana)	-	-	(6,842)	(3,138)
Paralana Project	408	1,464	-	-
Spain	-	-	-	(3,104,141)
	408	1,464	(6,842)	(3,107,279)
Finance costs	-	-	-	-
Administration/Corporate	6,462	20,855	(283,366)	(438,706)
Depreciation	-	-	-	(7,620)
Consolidated revenue	6,870	22,319		
Loss before income tax			(290,208)	(3,553,605)
Income tax expense			50,955	(27,490)
Loss from continuing operations			(239,253)	(3,581,095)

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

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

## Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 3. Segment reporting (continued)

#### Segment Assets

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

	Opening Balance 1/07/2014	Capital Expenditure/ Investment	Impairment/ Share of loss	Revaluations /Translations	Closing Balance 31/12/2014
	\$	\$	\$	\$	\$
<b>Continuing Operations</b>					
Australia (ex Paralana)	71,833	7,588	(6,842)	-	72,579
Paralana Project	-	-	-	-	-
Spain	-	-	-	-	-
Total segment assets	71,833	7,588	(6,842)	-	72,579
Other					
Administration/Corporate	643,332				285,861
Total Assets	715,165				358,440

# Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

## 4. Exploration and evaluation assets

	Consolidated	
	As at 31 Dec 14	As at 30 Jun 14
	\$	\$

### EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation costs carried forward in respect of Geothermal areas of interest

Exploration and evaluation phases	72,579	71,833
	72,579	71,833

### Consolidated entity

### Total

Capitalised tenement expenditure movement reconciliation

Balance at the beginning of the period	71,833
Additions through expenditure capitalised	7,588
Impairment of expenditure capitalised	(6,842)
Balance at end of year	72,579

## 5. Long-term provisions

	Consolidated Group	
	31 December 2014	30 June 2014
	\$	\$
Environmental rehabilitation	193,076	193,076
	193,076	193,076

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

## Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 6. Issued capital

	Consolidated Group	
	As at 31 Dec 14 \$	As at 30 Jun 14 \$
Fully paid ordinary shares	32,957,548	32,806,049
	32,957,548	32,806,049
	<b>Number</b>	<b>\$</b>
<b>Ordinary shares</b>		
Balance at beginning of financial period	242,177,951	32,806,049
Shares issued via rights issue	10,100,000	151,499
Balance at end of the financial period	252,277,951	32,957,548

### 7. Subsequent events

On the 3<sup>rd</sup> March the Company raised a total of \$190,476 by way of a non-renounceable rights issue. Taylor Collison Limited (Taylor Collison) are party to an underwriting agreement, under which the Company grants Taylor Collison the right to place all of the Shortfall Shares within three months after the Closing Date, being 25 May 2015.

### 8. Contingent liabilities

There has been no change in contingent liabilities since the last reporting date. The Group has various bank guarantees totaling \$130,000 at 31 December 2014 which act as collateral over tenements which Petratherm Ltd operate.

### 9. Commitments

There has been no material change to the commitments disclosed in the 30 June 2014 annual report.



## **Notes to the condensed interim consolidated financial statements**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

### **10. Going concern basis of accounting**

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

The consolidated entity incurred a net loss before tax of \$239,253 during the period ended 31 December 2014, and had a net cash outflow of \$265,231 from operating and investing activities. The consolidated entity continues to be reliant upon completion of capital raising for continued operations and the provision of working capital. The Directors have made an assessment there are reasonable grounds to believe the company is a going concern and will be able to continue to pay its debts as and when they become due and payable.

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

## Directors' Declaration

In the opinion of the directors of Petratherm Ltd:

- (a) the consolidated financial statements and notes of Petratherm Ltd are in accordance with the Corporations Act 2001, including:
  - (i) give a true and fair view of its financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
  - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mr Terry Kallis  
Managing Director

12 March 2015

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

We have reviewed the accompanying half-year financial report of Petratherm Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

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

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Petratherm Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Petratherm Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

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

**Conclusion**

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**Material uncertainty regarding continuation as a going concern**

Without qualifying our conclusion, we draw attention to Note 10 in the interim financial report which indicates that the consolidated entity recognised a net loss of \$239,253 for the half year ended 31 December 2014 and cash used in operating and exploration activities \$265,231.

These conditions, along with other matters as set forth in Note 10, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the half year financial report.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S K Edwards  
Partner – Audit & Assurance

Adelaide, 12 March 2015