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Petratherm Limited

ABN 17 106 806 884

Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2017

Petratherm Limited

ABN 17 106 806 884

Contents

For the Half Year Ended 31 December 2017

	Page
Interim Consolidated Financial Statements	
Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	3
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Interim Consolidated Statement of Financial Position	5
Interim Consolidated Statement of Changes in Equity	6
Interim Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	10
Independent Auditor's Review Report	11

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Directors' Report

For the Half Year Ended 31 December 2017

The Directors submit the interim consolidated financial report of the the Group for the half year ended 31 December 2017.

Information on directors

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

Simon O'Loughlin	Non-Executive Chairman
Andrew Haythorpe	Non-Executive Director
Donald Stephens	Non-Executive Director/Company Secretary

Principal activities and significant changes in nature of activities

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

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

On the 15th of December 2017 Petratherm ("the Company") announced that is in the process of acquiring up to a 75% interest in a Silver, Lead and Zinc prospect located in South Australia from Musgrave Minerals Ltd. The acquisition of the prospect is subject to a due diligence process and the attainment of any approval or consents required. An Extraordinary General Meeting of shareholders of the Company will be held on 28 February 2018 to consider this matter.

On the 27th of December 2017 the Company announced that it had entered into an agreement to acquire two (2) tenements prospective for gold and base metals in the Curnamona Province of South Australia from SAEX Pty Ltd ("SAEX"), a privately owned company. In consideration for the purchase of the tenements, Petratherm shall issue to SAEX (and/or its nominee), the value of \$50,000 of fully paid ordinary shares under the planned future prospectus. The acquisition of the tenements is subject to a due diligence process, and the attainment of any approval or consents required. An Extraordinary General Meeting of shareholders of the Company will be held on 28 February 2018 to consider this matter.

The Company will seek re-instatement to quotation on the Australian Securities Exchange (ASX), and intends to raise AUD \$4 million via a Prospectus to fund the acquisition. Subject to shareholder approval, the Company also intends to consolidate its securities at a specified ratio that will be sufficient, based on the lowest price at which its shares traded over the last 20 trading days prior to its suspension, to achieve a market value for its shares of not less than 2 cents (\$0.02) each. An Extraordinary General Meeting of shareholders of the Company will be held on 28 February 2018 to consider this matter.

Except for the above, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Operating results

The Group's loss for half year ended 31 December 2017 amounted to \$189,578 (2016: \$476,807), after providing for income tax.

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**Directors' Report
For the Half Year Ended 31 December 2017**

Review of operations

Operating Costs

During the reporting period, the Company had ongoing administration costs of \$189,578 primarily relating to reporting & compliance and office costs. The Company held \$632,233 in cash at the end of the reporting period.

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

Beach Energy completed planning studies to undertake the plugging and abandonment of the Paralana 2 geothermal well and surface rehabilitation of the Paralana site. At this stage the remediation works are expected to occur early 2018.

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

Other items

Events after the reporting date

On 25 January 2018 the Company gave notice that an Extraordinary General Meeting of its share holders will be held on 28 February 2018. Details of the resolutions to be considered can be found in the Company's ASX announcements.


Except for the above, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2017 has been received and can be found on page 3 of the interim consolidated financial report.

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

Director: 
Simon O'Loughlin

Director: 
Donald Stephens

Dated this6th..... day ofFebruary..... 2018

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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 half-year ended 31 December 2017, 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 AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 6 February 2018

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Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2017

	31 December 2017	31 December 2016
	\$	\$
Other income	7,173	4,533
Employee benefits expense	(48,769)	(93,237)
Share-based payments	-	(130,034)
Other operating expenses	<u>(140,809)</u>	<u>(245,056)</u>
Loss before income tax	(182,405)	(463,794)
Income tax expense	-	(13,013)
Loss attributable to members of the parent entity	<u>(182,405)</u>	<u>(476,807)</u>
Other comprehensive income	-	-
Total comprehensive loss for the period attributable to members of the parent entity	<u>(182,405)</u>	<u>(476,807)</u>
Loss per share		
Basic loss per share (cents)	(0.18)	(0.53)
Diluted loss per share (cents)	(0.18)	(0.53)

The accompanying notes form part of these financial statements.

Petratherm Limited

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**Interim Consolidated Statement of Financial Position
As At 31 December 2017**

	31 December 2017	30 June 2017
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	632,233	833,674
Trade and other receivables	7,941	6,422
Other assets	9,323	3,302
TOTAL CURRENT ASSETS	649,497	843,398
TOTAL NON-CURRENT ASSETS	-	-
TOTAL ASSETS	649,497	843,398
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	34,733	46,229
Short-term provisions	241,000	241,000
TOTAL CURRENT LIABILITIES	275,733	287,229
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	275,733	287,229
NET ASSETS	373,764	556,169
EQUITY		
Issued capital	34,760,564	34,760,564
Reserves	130,034	130,034
Accumulated losses	(34,516,834)	(34,334,429)
TOTAL EQUITY	373,764	556,169

The accompanying notes form part of these financial statements.

Petratherm Limited

ABN 17 106 806 884

Interim Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2017

	Issued Capital	Accumulated Losses	Share Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2017	34,760,564	(34,334,429)	130,034	556,169
Total loss for the period	-	(182,405)	-	(182,405)
Total comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-
Balance at 31 December 2017	34,760,564	(34,516,834)	130,034	373,764
Balance at 1 July 2016	34,118,371	(33,738,744)	45,100	424,727
Total loss for the period	-	(476,807)	-	(476,807)
Total comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-
Share-based payments	-	-	130,034	130,034
Issue of shares	676,500	-	-	676,500
Transaction costs	(47,320)	-	-	(47,320)
Tax portion of capital raising costs	13,013	-	-	13,013
Balance at 31 December 2016	34,760,564	(34,215,551)	175,134	720,147

The accompanying notes form part of these financial statements.

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ABN 17 106 806 884

Interim Consolidated Statement of Cash Flows
For the Half Year Ended 31 December 2017

	31 December 2017 \$	31 December 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers and employees	(208,614)	(328,144)
Interest received	7,173	4,533
Net cash provided by (used in) operating activities	<u>(201,441)</u>	<u>(323,611)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash used by investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	-	676,500
Payment of transaction costs	-	(47,320)
Net cash provided by financing activities	<u>-</u>	<u>629,180</u>
Net increase (decrease) in cash and cash equivalents held	(201,441)	305,569
Cash and cash equivalents at beginning of year	833,674	663,592
Cash and cash equivalents at end of the half year	<u>632,233</u>	<u>969,161</u>

The accompanying notes form part of these financial statements.

Petratherm Limited

ABN 17 106 806 884

Notes to the Financial Statements For the Half Year Ended 31 December 2017

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

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

The financial report was authorised for issue by the Directors on 6 February 2018.

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2017 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Petratherm Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half year.

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

2 Provisions

	31 December 2017	30 June 2017
	\$	\$
CURRENT		
Environmental Rehabilitation - Paralana	241,000	241,000
	<u>241,000</u>	<u>241,000</u>

Petratherm Limited

ABN 17 106 806 884

Notes to the Financial Statements For the Half Year Ended 31 December 2017

3 Issued Capital

	31 December 2017	30 June 2017
	\$	\$
Fully paid ordinary shares	34,760,564	34,760,564
Total	34,760,564	34,760,564

(a) Ordinary shares

	31 December 2017	30 June 2017
	No.	No.
At the beginning of the reporting period	100,307,503	777,570,139
Shares issued during the year		
- Shares issued via placement		- 176,000,000
- Effect of share consolidation		- (853,262,636)
At the end of the reporting period	100,307,503	100,307,503

4 Contingencies & Commitments

The Company has entered into a bank guarantee with the South Australian State Government, totalling \$100,000 at 31 December 2017. This guarantee is designed to act as collateral over the tenement which Petratherm explores on and can be used by the State Government authorities in the event that Petratherm does not sufficiently rehabilitate the land it explores. It is noted that the bank guarantee as at the date of signing this report has not been utilised by the State Government.

The Company has entered into an agreement to acquire up to a 75% interest in a Silver, Lead and Zinc prospect located in South Australia from Musgrave Minerals Ltd. The acquisition of the prospect is subject to a due diligence process and the attainment of any approval or consents required. An Extraordinary General Meeting of shareholders of the Company will be held on 28 February 2018 to consider this matter.

The Company has entered into an agreement to acquire two (2) tenements prospective for gold and base metals in the Curnamona Province of South Australia from SAEX Pty Ltd ("SAEX"), a privately owned company. In consideration for the purchase of the tenements, Petratherm shall issue to SAEX (and/or its nominee), the value of \$50,000 of fully paid ordinary shares under the planned future prospectus. The acquisition of the tenements is subject to a due diligence process, and the attainment of any approval or consents required. An Extraordinary General Meeting of shareholders of the Company will be held on 28 February 2018 to consider this matter.

Other than disclosed, the Group did not have any other contingencies or commitments at 31 December 2017.

Petratherm Limited

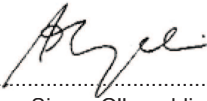
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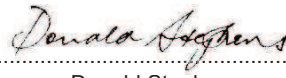
Directors' Declaration

The directors of the Company declare that:

1. The interim consolidated financial statements and notes, as set out on pages 4 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) giving a true and fair view of the consolidated group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director 
Simon O'Loughlin

Director 
Donald Stephens

Dated this 6th day of February 2018

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Independent Auditor's Review Report to the Members of Petratherm Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Petratherm Limited and its subsidiaries, which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Petratherm Limited does not give a true and fair view of the financial position of the Petratherm Limited as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors Responsibility for the Half Year Financial Report

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

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Petratherm Limited's financial position as at 31 December 2017 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.


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 have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 6 February 2018

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