PETRATHERM LTD

ACN 106 806 884

HALF-YEAR FINANCIAL REPORT

ENDED 31 DECEMBER 2004

PETRATHERM LTD
ACN 106 806 884

DIRECTORS' REPORT - HALF-YEAR ENDED 31 DECEMBER 2004

Your directors present their report on the consolidated entity consisting of Petratherm Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2004.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Mr Derek Carter, Chairman/Non-Executive Director (appointed 24 October 2003)
Mr Simon O'Loughlin, Non-Executive Director (appointed 24 October 2003)
Mr Richard Bonython, Non-Executive Director (appointed 1 March 2004)
Mr Richard Hillis, Non-Executive Director (appointed 1 March 2004)
Mr Lloyd Taylor, Non-Executive Director (appointed 22 March 2004)

REVIEW OF OPERATIONS

On 27 July 2004, Petratherm Ltd listed on the ASX following the successful completion of a $4,000,000 dollar public offering. Minotaur Resources Ltd (42.1%) is a substantial shareholder in the Company. The Company held $3,178,000 cash reserves at 31 December 2004.

The Company is actively exploring three project areas in South Australia for hot rock geothermal energy. These are Ferguson Hill (GEL 158), Callabonna (GEL 157 and GELA 179) and Paralana (GEL 156, GEL 178 and GEL 180).

During the period geological and geophysical studies identified a number of new potentially favourable terrains for hot rock power generation in areas close to regional mining centres and other infrastructure sites in Australia. The Company believes that Queensland, which will shortly have geothermal licensing legislation in place (mostly likely June 2005), has several highly prospective areas.

Exploration commenced on two projects areas during the period. Geophysical surveys were initiated at Paralana and Callabonna to help determine the best sites for geothermal drill evaluation. At Paralana down hole temperature measurements of recent drilling by mineral explorers also demonstrated elevated temperature gradients, consistent with the presence of a significant thermal anomaly in the area.

Drill preparations were concluded for both project areas and in January 2005 Petratherm's maiden hot rock evaluation well was spudded at Paralana (GEL 178).

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DIRECTORS' REPORT - HALF-YEAR ENDED 31 DECEMBER 2004

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Grant Thornton, to provide the directors of Petratherm Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration forms part of this Directors' Report.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There are no matters of significance arising subsequent to the end of the reporting period that should be reported.

Signed in accordance with a resolution of the Board of Directors.

DEREK CARTER
Director

Dated this 15th day of March 2005

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PETRATHERM LTD

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Petratherm Ltd and Controlled Entities for the half-year ended 31 December 2004, 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
CHARTERED ACCOUNTANTS

S J GRAY
Partner

Dated this *15th* day of *March* 2005

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CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Note	Half-year 2004 $
Revenue from outside the operating activities		80,853
Exploration expenditure		(45,696)
Employee benefits expense		(60,577)
Depreciation expense		(1,943)
Other expenses from ordinary activities		(164,998)
Loss from ordinary activities before income tax expense		(192,361)
Income tax expense		-
Loss from ordinary activities after income tax		(192,361)
Net loss		(192,361)
Total changes in equity attributable to the members of Petratherm Ltd other than those resulting from transactions with owners as owners		(192,361)
		Cents
Basic earnings per share		(0.60)
Diluted earnings per share		(0.52)

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Note	31 December 2004 $
CURRENT ASSETS		
Cash assets		3,178,238
Receivables		16,342
Other current assets		25,316
TOTAL CURRENT ASSETS		3,219,896
NON-CURRENT ASSETS		
Property, plant and equipment		12,169
Capitalised tenement expenditure		532,384
TOTAL NON-CURRENT ASSETS		544,553
TOTAL ASSETS		3,764,449
CURRENT LIABILITIES		
Payables		65,753
Provisions		12,256
TOTAL CURRENT LIABILITIES		78,009
NON-CURRENT LIABILITIES		
Provisions		26,250
TOTAL NON-CURRENT LIABILITIES		26,250
TOTAL LIABILITIES		104,259
NET ASSETS		3,660,190
EQUITY		
Contibuted equity		3,852,551
Accumulated losses	3	(192,361)
TOTAL EQUITY		3,660,190

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Note	Half-year 2004 $
Cash flows from operating activities		
Payments to suppliers and employees		(216,908)
Interest received		78,678
Net cash outflow from operating activities		(138,230)
Cash flows from investing activities		
Payments for exploration activity		(201,554)
Payments for property, plant and equipment		(12,081)
Payment for subsidiary MNGI Pty Ltd, net of cash acquired		(27,552)
Net cash used in investing activities		(241,187)
Cash flows from financing activities		
Proceeds from issue of shares	7	4,000,000
Share issue expenses		(442,345)
Net cash provided by financing activities		3,557,655
Net (decrease)/increase in cash held		3,178,238
Cash at the beginning of the reporting period		-
Cash at the end of the reporting period		3,178,238

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

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the half-year ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the prospectus dated 11 May 2004 and any public announcements made by Petratherm Ltd during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

ADOPTION OF AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005 the company must comply with the Australian Equivalent of International Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

Financial information in this report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and AIFRS identified by management to date as potentially having a significant effect on the financial position of the company are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and AIFRS.

No attempt has been made to identify all disclosure, presentation or classification differences that would affect he manner in which transactions or events are presented.

Impairment of Assets

Under AASB 136 "Impairment of Assets" the company's assets will be required to be tested for impairment on a discounted cashflow basis for each cash-generating unit. This may lead to write downs in the carrying value of the group's assets more often than would be required under the existing policy.

Exploration for and Evaluation of Mineral Resources

The company will adopt AASB 6 "Exploration for and Evaluation on Mineral Resources". This standard differs to the current Accounting Standard by:

- Applying only to Exploration and evaluation expenditure rather than all aspects of extractive industries
- Requiring performance of impairment tests on those assets when the facts and circumstances suggest the carrying amount of the assets exceed the recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Half-year 2004 $
NOTE 2: INTEREST REVENUE AND EXPENSE	
Profit from ordinary activities and income tax is arrived at after:	
(a) crediting interest as revenue	80,853

	31 December 2004 $
NOTE 3: ACCUMULATED LOSSES	
Net loss for the year	(192,361)
Balance at the end of the year	(192,361)

NOTE 4: SEGMENT REPORTING
Industry and Geographical Segment
The entity operates in the mining exploration sector solely within Australia.

NOTE 5: EVENTS OCCURRING AFTER REPORTING DATE
There are no matters of significance arising subsequent to the end of the reporting period that should be reported.

NOTE 6: CONTINGENT LIABILITIES
There have been no changes to contingent liabilities since the last annual reporting date.

	2004 Shares	2004 $
NOTE 7: EQUITY SECURITIES ISSUED		
Issues of ordinary shares during the half-year		
a) - Opening balance 01/07/2004	15,000,001	300,001
Add:		
Shares allotted in current period	20,000,000	4,000,000
Less:		
Transaction costs		(447,450)
	35,000,001	3,852,551

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DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 4 to 9:

(a) comply with Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and
(b) there are reasonable grounds to believe that Petratherm Ltd 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 directors.

DEREK CARTER
Director

Dated this 15th day of March 2005

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF PETRATHERM LIMITED & CONTROLLED ENTITIES

Scope

The financial report – responsibility and content

The preparation of the financial report for half-year ended 31 December 2004 is the responsibility of the directors of Petratherm Limited & Controlled Entities. It includes the financial statements for Petratherm Limited & Controlled Entities, which incorporates Petratherm Limited (the Company) and the entities it controlled during the half-year ended 31 December 2004.

Audit approach

We conducted an independent review of the financial report in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our role was to conduct the review in accordance with Australian Auditing Standards applicable to review engagements. Our review did not involve an analysis of the prudence of business decision made by the directors or management.

This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly a view in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and the Corporations Regulations 2001, which is consistent with our understanding of the Group's financial position, and its performance as represented by the results of its operations and cash flows.

The review procedures performed were limited primarily to:

- Inquiries of company personnel of certain internal controls, transactions and individual items
- Analytical procedures applied to financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Grant Thornton

Statement

Based on our review, which is not an audit, we have not become aware of any matters that makes us believe that the half-year financial report of Petratherm Limited & Controlled Entities is not presented in accordance with:

(a) the Corporations Act 2001, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004, and of its performance for the half-year ended on that date; and

ii) complying with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Act 2001; and

(b) other mandatory financial reporting requirements in Australia.

GRANT THORNTON
CHARTERED ACCOUNTANTS

S J GRAY
Partner

Dated this *15th* day of *March* 2005