

Petratherm Limited

ABN 17 106 806 884

Financial Report

for the year ended 30 June 2013

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Corporate Information

This annual report covers both Petratherm Limited (ABN 17 106 806 884) and its controlled entities ("Group"). The Group's functional and presentation currency is Australian Dollars.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on page 4 to 24.

Directors

Derek Carter (Chairman)
Terry Kallis (Managing Director)
Richard Bonython
Richard Hillis
Simon O'Loughlin
Lewis Owens

Company Secretary

Donald Stephens

Registered Office

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

Principal place of business

Level 1, 129 Greenhill Road
UNLEY SA 5061

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

Your directors submit their report for the year ended 30 June 2013.

DIRECTORS

Derek Carter	Chairman
Terry Kallis	Managing Director
Richard Bonython	Non-Executive Director
Richard Hillis	Non-Executive Director
Simon O'Loughlin	Non-Executive Director
Lewis Owens	Non-Executive Director

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

Derek Carter, MSc, FAusIMM (CP) (Chairman, Non- Executive Director)

Derek Carter has over 40 years experience in exploration and mine geology, including 17 years in management of ASX listed exploration and development companies. He held senior positions in the Shell Group of Companies and Burmine Ltd before founding Minotaur Exploration Ltd in 1993. He was Managing Director of Minotaur Exploration Ltd from its inception until early 2010 when he became Chairman of that company. He is a Director of Blackthorn Resources Ltd, Mithril Resources Ltd and Highfield Resources Ltd, all of which are listed on the ASX and is a Director of the AusIMM. He was also a director of Toro Energy Ltd in the last three 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 received AMEC's Prospector of the Year Award (2003), the AusIMM's President's Award (2010) and is a Centenary Medalist.

Terry Kallis, BE (Elec) MBA (Managing 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 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.

Directors' report

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 40 years in the building, rural and minerals industries. He is a director of Mithril Resources Ltd (ASX listed) and Minotaur Exploration (ASX listed), and is a member of the Company's audit committee.

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.

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 Kibaran Nickel Ltd, Lawson Gold Ltd, AO Energy Ltd and a director of Goldminex Ltd, Chesser Resources Ltd and WCP Resources 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, Neurodiscovery Ltd, Australian Oriental Minerals Ltd, Aura Energy Ltd, Living Cell Technologies Ltd, Strezelecki Metals Ltd and Probiomics Ltd.

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

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.

Directors' report

COMPANY SECRETARY

Donald Stephens, BA (Acc), FCA

Donald Stephens is a chartered accountant and corporate advisor with over 25 years experience in the accounting industry, including 14 years as a partner of HLB Mann Judd, a firm of chartered accountants. He is non-executive director of Mithril Resources Ltd, Papyrus Australia Ltd, Lawson Gold Ltd, AO Energy Ltd and previously with TW Holdings Ltd and currently holds a number of company secretarial positions with listed Public Companies including Toro Energy Ltd, Mithril Resources Ltd and Minotaur Exploration Ltd. He is a member of the Company's audit committee.

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	1,934,667	600,000	482,917
Terry Kallis	360,640	1,500,000	90,160
Richard Bonython	1,699,057	450,000	424,765
Richard Hillis	403,334	650,000	100,834
Simon O'Loughlin	469,167	450,000	110,834
Lewis Owens	256,667	450,000	64,167

DIVIDENDS

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

Directors' report

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 these activities during the year.

OPERATING RESULTS

The consolidated loss of the Group for the financial year after providing for income tax amounted to \$788,997 [2012: \$1,808,315].

OPERATIONS OVERVIEW

Fund Raising

In September 2012, shareholders were invited to participate in the non-renounceable Rights Issue offer of one new share for every three shares currently held at an issue price of \$0.03 for each new share issued together with one attaching option at no additional cost for every one new share issued. A total of \$847,339 was raised and included funds received from the Company's two largest shareholders - Minotaur Exploration Ltd and Australian Ethical. Minotaur Exploration and Australian Ethical invested \$218,778 and \$105,995 respectively. Those monies were bolstered with a cash rebate of \$443,122 received in March 2013 under the R&D Tax Offset scheme relating to the Paralana project.

Paralana

The focus during the year was to secure the necessary funds to complete the next critical phase aimed at demonstrating commercial energy extraction. To that end the company was pleased to announce that it was awarded a \$13 million grant by the Australian Renewable Energy Agency (ARENA), signalling clear support for the Paralana project.

The grant, awarded under ARENA's Emerging Renewables Program (ERP), will fund approximately half of the expected costs. That work will involve drilling the Paralana 3 well - a producer well into the hot rock reservoir created around the existing Paralana 2 well, extensive reservoir stimulation, and finally circulation testing with the aim of demonstrating a commercial rate of energy extraction.

The ERP grant is provided on a matching funding basis and includes 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.

Directors' report

In addition to the above, Petratherm/Beach Energy and ARENA renegotiated our two existing grants as follows:

- The \$7 million Geothermal Drilling Program grant was terminated, with remaining balance of \$2.8 million being relinquished, and;
- The \$62.8 million Renewable Energy Demonstration Program grant for a 30 MW project was varied to \$24.5 million for a reduced 7 MW project.

The changes to the existing grants were implemented to ensure no crossover between the grants/programs and to reflect the latest information on the project's costs, in particular sub-surface costs.

Finally, the Paralana project JV also agreed with ARENA to develop a comprehensive project knowledge sharing program with relevant Australian public research institutions (including the Geothermal Research Initiative).

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})	20,000	18,000	41	38,000

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

The Company hopes to commence the next stage of works at Paralana later in the year.

Directors' report

Tenerife

The Tenerife Project in the Spanish owned Canary Islands is a high temperature, conventional geothermal project on the active volcanic Island of Tenerife. During May, a 3 week magneto-telluric (MT) campaign was undertaken principally designed to define the previously identified Vilaflor MT anomaly on the southern slopes of the Mt Teide Volcano.

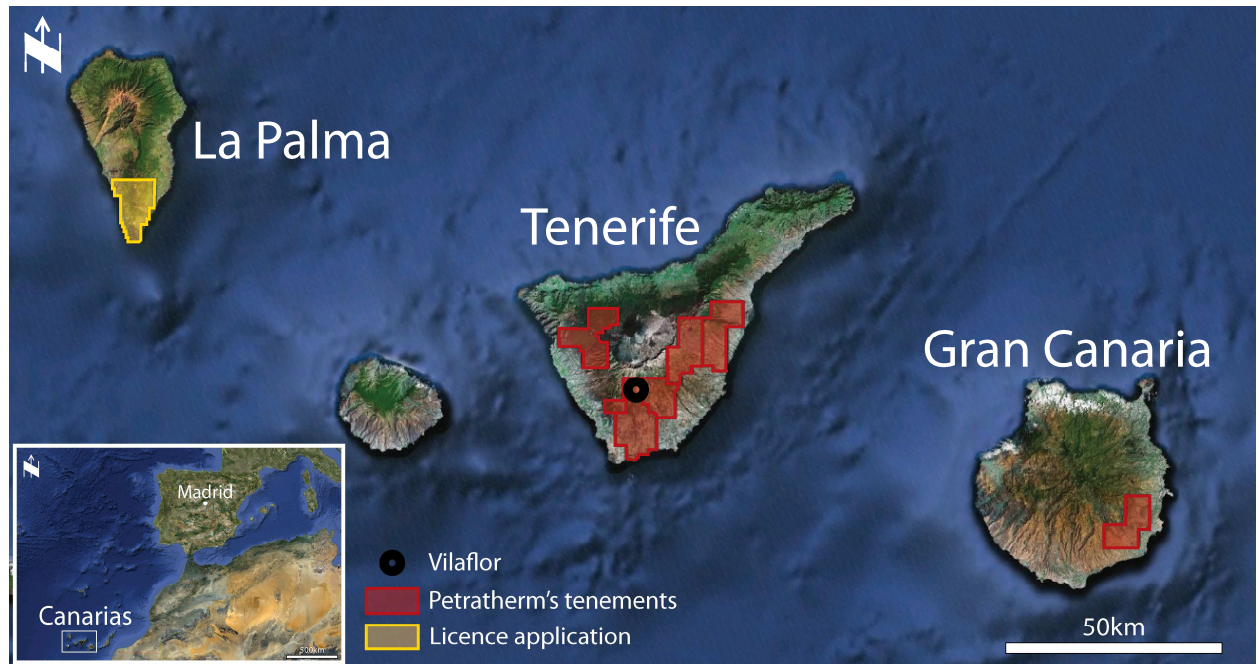


Figure 1: Petratherm's tenements and exploration licence applications in the Canary Islands

In all, 41 stations were recorded and processing of this data is now underway to allow a detailed 3D model to be generated of the target. The Vilaflor anomaly shows an MT response indicative of a relatively shallow (1500m) hydrothermal system. The target is in an area close to power infrastructure and has good access for later drill testing.

Directors' report

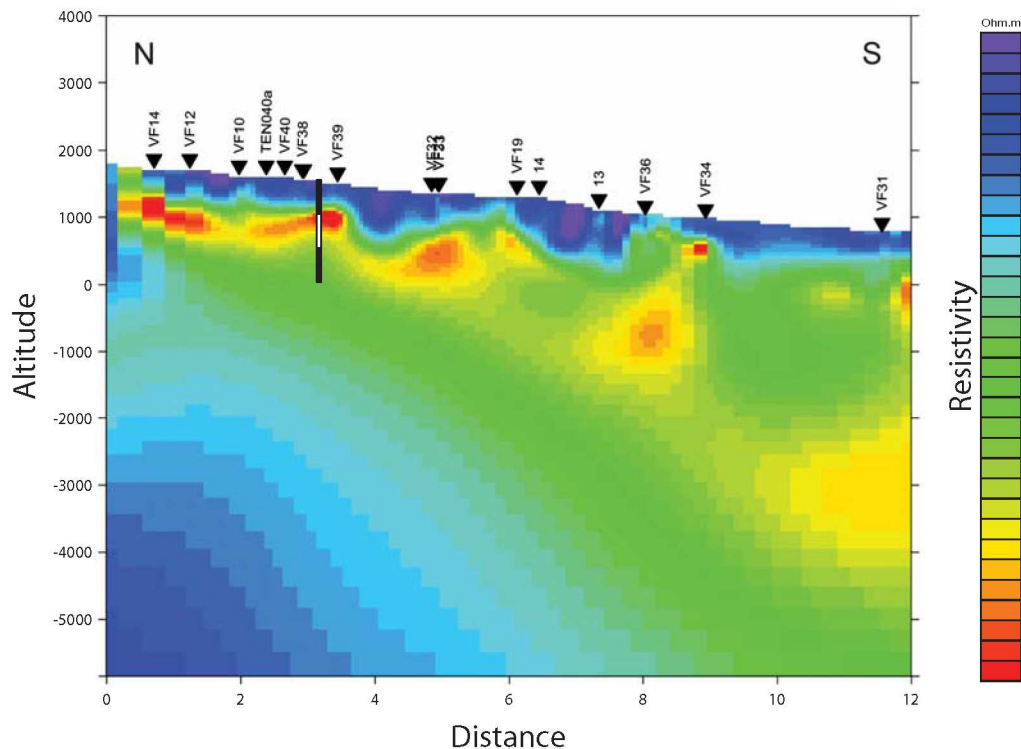


Figure 2: North south section through the target area of Vilaflor, showing a 1.5km well through the conductive layer - inferred to be the clay cap

The ground activities are funded by the collaborative 4-year €1.7M Geothercan research grant. The Company is in advanced discussions with a major Spanish energy company that has shown interest in joint venturing on the Tenerife project.

The Company sought to expand its ground holdings in the Canary Islands during the period with a 5th licence application made on Tenerife. A new licence application was also made over the southern half of the neighbouring Island of La Palma, which is the site of volcanic activity in the Canary Islands in the 1970s, and records very high subsurface temperatures near these eruption sites.

Directors' report

Tasmania - Oil and Gas

In July 2013, just after the reporting period, Petratherm advised that its wholly owned subsidiary, PetraGas Limited, applied for a Petroleum Exploration Licence (EL3/2013) covering approximately 3,900 square kilometres, north of Hobart in central Tasmania (refer Figure 3).

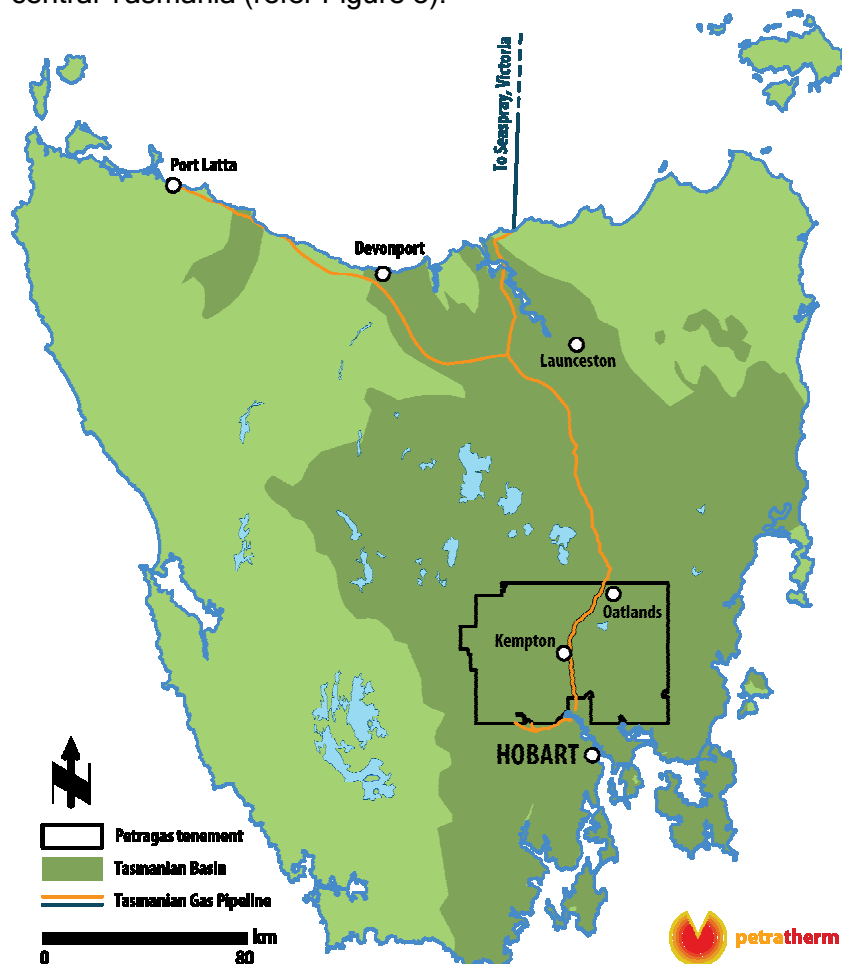


Figure 3: Location map of petroleum tenement application area

The tenement application spans part of the petroleum-bearing Tasmania Basin, which is prospective for both conventional and unconventional oil and gas. The decision by Petratherm to extend into unconventional shale oil and gas exploration leverages our core areas of expertise that include basin geology and deep drilling (developed from working on engineered geothermal systems) and our knowledge of the Australian electricity and gas markets.

The area is a green fields play and the first year's work will be largely a desktop study assessing historical data with a modest spend of around \$100,000 to determine its prospectivity.

Directors' report

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 19 September 2012 the company announced a capital raising by way of one for three pro-rata non-renounceable rights issue, with one free attaching option (with the options to be quoted on ASX) being issued for every one new share issued. Each attaching option will have an exercise price of \$0.03 and an expiry date two years after the date of grant.

On 2 November 2012 the Group announced it had completed the rights issue raising an \$847,339 thousand issuing of 28,244,647 shares at \$0.03 per share.

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 15 July 2013 Petratherm announced its wholly owned subsidiary PetraGas Ltd had applied for a Petroleum Exploration Licence north of Hobart in central Tasmania to explore for shale oil & gas.

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

Directors' report

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 until decisions can be made to successfully develop and exploit, sell or abandon such properties. New projects will be sought and evaluated. Provision of any further information may result in unreasonable prejudice to the Group.

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 the Group followed procedures and pursued objectives in line with guidelines published by the South Australian Government. 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 Safety 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.

Directors' report

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 2012	Net Issued/ Exercised	Lapsed/ Cancelled	Balance at 30 June 2013
30/06/2006	30/04/2013	\$0.37	750,000	-	(750,000)	-
07/01/2008	06/01/2013	\$1.20	30,000	-	(30,000)	-
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
			7,780,000	-	(780,000)	7,000,000

SHARE OPTIONS

Cancellation of Options

During the financial year 780,000 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).

Directors' report

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.

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 subsequently signed a consultancy agreement dated 10 January 2012. The agreement is based on an annual retainer of \$330,000 in equal monthly instalments in arrears. The agreement provides the Company with flexibility to match changing workload while ensuring priority attention to the Company's affairs. 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. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

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 provides the Company with flexibility to match changing workload while ensuring priority attention to the Company's affairs. 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. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Directors' report

REMUNERATION REPORT - AUDITED (continued)

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 is currently 9%, 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 2012 Annual General Meeting

Petratherm Ltd received more than 96.07% of 'yes' votes on its remuneration report for the 2012 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

REMUNERATION REPORT - AUDITED (continued)

Table 1: Directors' remuneration for the year ended 30 June 2012 & 2013

	Short-term employee benefits	Post employment benefits	Share based payments	Total
	Salary & Fees	Superannuation	Options	
Derek Carter				
2013	23,175	1,350	-	24,525
2012	56,000	5,040	-	61,040
Terry Kallis				
2013	264,000	-	-	264,000
2012	332,112	12,217	25,500	369,829
Richard Bonython				
2013	18,394	-	-	18,394
2012	42,783	-	-	42,783
Simon O'Loughlin **				
2013	16,875	1,519	-	18,394
2012	39,250	3,533	-	42,783
Lewis Owens				
2013	16,875	1,519	-	18,394
2012	39,250	3,533	-	42,783
Richard Hillis				
2013	16,875	1,519	-	18,394
2012	39,250	3,533	-	42,783

Directors' report

REMUNERATION REPORT - AUDITED (continued)

Table 2: Remuneration of the named executives who receive the highest remuneration for the year ended 30 June 2012 & 2013

	Short-term employee benefits	Post employment benefits	Share based payments	Total
	Salary & Fees	Superannuation	Options	
Peter Reid				
2013	171,406	15,426	-	186,832
2012	170,183	15,316	11,200	196,699
Donald Stephens *				
2013	-	-	-	-
2012	-	-	-	-

* HLB Mann Judd (SA) Pty Limited has received professional fees for accounting, taxation and secretarial services provided during the year amounting to \$176,682 (2012: \$145,435). Donald Stephens, the company secretary, is a consultant with HLB Mann Judd (SA) Pty Limited.

** O'Loughlins Lawyers of which Simon O'Loughlin is a partner received legal fees of \$66,142 (2012:\$34,955) during the year.

Share-based payments remuneration relates to the fair value of options granted during the 2012 & 2013 financial years.

Directors' report

REMUNERATION REPORT - AUDITED (continued)

Table 3: Options granted as part of remuneration

No options were issued to directors or executives during the year.

The options issued to directors and executives during the previous year are as follows:

30 June 2012	Grant date	Grant number	Vesting date	Exercise price	Value per option at grant date	Exercised number	Total Fair value	% of Remuneration
Directors								
Terry Kallis	03/03/12	500,000	03/03/12	0.13	0.051	-	25,500	6.90%
Executives								
Peter Reid	09/01/12	200,000	09/01/12	0.14	0.056	-	11,200	5.69%

No portion of remuneration paid or payable to any Key Management Personnel employed by Petratherm was performance based in 2012 or 2013.

Directors' report

REMUNERATION REPORT - AUDITED (continued)

Table 4: Options holdings of Key Management Personnel

30 June 2013	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period	Expiry date	First exercise date	Last exercise date
Directors								
Terry Kallis	750,000	-	-	(750,000)	-	30/04/13	01/05/08	30/04/13
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
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
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
	6,800,000	-	-	(750,000)	6,050,000			

Directors' report

REMUNERATION REPORT - AUDITED (continued)

30 June 2012	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period	Expiry date	First exercise date	Last exercise date
Directors								
Terry Kallis	650,000	-	-	(650,000)	-	30/04/12	01/05/07	30/04/12
Terry Kallis	750,000	-	-	-	750,000	30/04/13	01/05/08	30/04/13
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
Richard Hillis	200,000	-	-	(200,000)	-	25/06/12	26/06/07	26/06/12
Simon O'Loughlin	450,000	-	-	-	450,000	04/01/15	03/06/10	04/01/15
Executives								
Peter Reid	150,000	-	-	-	150,000	23/12/14	24/12/09	23/12/14
Peter Reid	100,000	-	-	(100,000)	-	01/01/12	01/01/07	01/01/12
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
Jonathan Teubner	400,000	-	-	(400,000)	-	31/05/13	01/06/08	31/05/13
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
	7,450,000	700,000	-	(1,350,000)	6,800,000			

Directors' report

REMUNERATION REPORT - AUDITED (continued)

Table 5: Shareholdings of Key Management Personnel

	30 June 2013	Balance at 1 July 12	On Exercise of Options	Net Change Other	Balance 30 June 13
Directors					
Terry Kallis		270,480	-	90,160	360,640
Derek Carter		1,448,750	-	485,917	1,934,667
Richard Bonython		1,274,292	-	424,765	1,699,057
Lewis Owens		192,500	-	64,167	256,667
Richard Hillis		302,500	-	100,834	403,334
Simon O'Loughlin		358,333	-	110,834	469,167
Executives					
Peter Reid		320,063	-	106,688	426,751
Donald Stephens		-	-	-	-

	30 June 2012	Balance at 1 July 11	On Exercise of Options	Net Change Other	Balance 30 June 12
Directors					
Terry Kallis		150,480	-	120,000	270,480
Derek Carter		1,328,750	-	120,000	1,448,750
Richard Bonython		1,231,438	-	42,854	1,274,292
Lewis Owens		72,500	-	120,000	192,500
Richard Hillis		182,500	-	120,000	302,500
Simon O'Loughlin		358,333	-	-	358,333
Executives					
Peter Reid		320,063	-	-	320,063
Donald Stephens		-	-	-	-

Directors' report

REMUNERATION REPORT - AUDITED (continued)

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	11	2
Number of meetings attended:		
Derek Carter	9	-
Terry Kallis	11	-
Richard Bonython	10	2
Richard Hillis	10	-
Simon O'Loughlin	10	2
Lewis Owens	11	-

Members acting on the audit committee of the board are:

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

Directors' report

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 22 to the financial statements. The auditor's independence declaration for the year ended 30 June 2013 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 27th day of September 2013

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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 2013, 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
Director – Audit & Assurance

Adelaide, 27 September 2013

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Corporate Governance Statement

Introduction

The board of directors is responsible for the corporate governance of Petratherm Ltd (the Company) and its controlled entities (the Group). The Group operates in accordance with the corporate governance principles as set out by the ASX corporate governance council and required under ASX listing rules.

The Group details below the corporate governance practices in place at the end of the financial year, all of which comply with the principles and recommendations of the ASX corporate governance council unless otherwise stated. Some of the charters and policies that form the basis of the corporate governance practices of the Group may be located on the Group's website, www.petratherm.com.au.

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the second edition Corporate Governance Principles and Recommendations (Principles and Recommendations) in relation to diversity, remuneration, trading policies and briefings. The Group has addressed the amended principles within this statement.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Role of the Board and Management

The board is accountable to the Shareholders for the performance of the Group and has overall responsibility for its operations. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives, are formally delegated by the board to the Managing Director and ultimately to senior executives.

The key functions reserved to the board include:

- Approving the strategic direction and related objectives of the Group and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Group;
- Reviewing annually the performance of the managing director and senior executives against the objectives and performance indicators established by the board. The annual review of senior executives was undertaken by the board during the year;
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- Overseeing the implementation and management of effective safety and environmental performance systems;
- Ensuring all major business risks are identified and effectively managed;
- Ensuring that the Group meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the directors are entitled to seek independent professional advice at the Group's expense, unless the board determines otherwise. The board schedules meetings on a regular basis and other meetings as and when required. The Group has not formally established the functions reserved to the board and those delegated to senior executives in accordance with recommendations 1.1 and 1.3 of the ASX Corporate Governance Council. Given the size of the Group, the board has not considered it necessary to formulate a board charter.

Corporate Governance Statement

Recommendation 1.2: Performance evaluation of Senior Management

The Managing Director and senior management participate in annual performance reviews. The performance of staff is measured against the objectives and performance indicators established by the board. A performance evaluation for senior management took place for the current reporting period in accordance with the Group's documented process. The performance of senior management is reviewed by comparing performance against agreed measures, examining the effectiveness and results of their contribution and identifying area for potential improvement. In accordance with recommendations 1.2 and 1.3 of the ASX Corporate Governance Council the Group has not disclosed a description of the performance evaluation process in addition to the disclosure above.

Principle 2: Structure the board to add value

Size and composition of the Board

At the date of this statement the board consists of five non-executive directors and one executive. Directors are expected to bring independent views and judgement to the board's deliberations.

• Mr Derek Carter	Non-Executive Chairman
• Mr Terry Kallis	Managing Director
• Mr Simon O'Loughlin	Non-Executive
• Mr Richard Bonython	Non-Executive
• Dr Richard Hillis	Non-Executive
• Mr Lewis Owens	Non-Executive
• Mr Donald Stephens	Company Secretary

The board considers this to be an appropriate composition given the size and development of the Group at the present time. A profile of each director including their skills, qualifications and experience is set out in the director's report of this Annual Report.

Recommendation 2.1: Independence

The board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the board. Those directors who have interests in specific transactions or potential transactions do not receive board papers related to those transactions or potential transactions, do not participate in any part of a directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other directors. Each director is required by the Company to declare on an annual basis the details of any financial or other relevant interests that they may have in the Company.

At the date of this statement the board consists of five non-executive directors, Mr Carter, who is also chairman of the board, Mr O'Loughlin, Mr Bonython, Mr Hillis, Mr Owens and an executive director, Mr Kallis. Mr O'Loughlin, Mr Hillis and Mr Owens have no other material relationship with the Group or its subsidiary other than their directorships. Mr Carter and Mr Bonython are directors of Minotaur Exploration Ltd which is the beneficial holder of 16.94% of the issued capital of Petratherm Ltd. The Group therefore has three independent directors as that relationship is currently defined.

Corporate Governance Statement

The board does not consist of a majority of independent directors and therefore the Group has not complied with recommendation 2.1 of the Corporate Governance Council. The board defines 'independence' in accordance with ASX recommendations. The board considers the current structure to be an appropriate composition of the required skills and experience, given the experience of the individual directors and the size and development of the Group at the present time.

Recommendations 2.2, 2.3: Role of the Chairman

The role of the Chairman is to provide leadership to the board and facilitate the efficient organisation and conduct of the board's functioning. Mr Derek Carter, the Chairman of the Group does not also perform the role of the Managing Director, in accordance with recommendation 2.3 of the Corporate Governance Council, however the Chairman is not considered 'independent' as defined by ASX Corporate Governance Principles and recommendation 2.2.

Recommendation 2.4: Nomination, retirement and appointment of Directors

The board has not established a nomination and remuneration committee in accordance with recommendation 2.4 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and continues to monitor the composition of the committee and the roles and responsibilities of the members. Accordingly, the Group has not established a remuneration and nomination committee charter in accordance with recommendations 2.4 and 2.6 of the ASX Corporate Governance Council.

Recommendation 2.5: Evaluation of Board performance

The board continues to review performance against appropriate measures and identify ways to improve performance. A performance evaluation of the board, its Committees and individual directors took place for the current reporting period in accordance with the Group's documented process. The board has not formally disclosed the process in accordance with recommendations 2.5 and 2.6 of the ASX Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider the disclosure of the performance evaluation necessary at this stage.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1: Code of Conduct

The board recognises the need for directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Group intends to maintain a reputation for integrity and is highly committed to demonstrating appropriate corporate practices and decision making. The Group's officers and employees are required to act in accordance with the law and with the highest ethical standards. The board has not adopted and disclosed a formal code of conduct applying to the board and all Employees in accordance with recommendations 3.1 and 3.3 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider the disclosure of the code necessary at this stage.

Securities Trading Policy

Effective from 1 January 2011, the Group is required to adopt and disclose a securities trading policy under ASX Listing Rules. A securities trading policy was previously a recommendation of the Corporate Governance Council, however the

Corporate Governance Statement

Group has chosen to early-adopt the amendments in accordance with the addition to the ASX Listing Rules. The Group has established a policy concerning trading in Group securities by directors, senior executives and employees, however the plan has not yet been publicly disclosed and therefore has not complied with recommendation 3.2 or 3.3 of the second edition of the Corporate Governance Council principles. The Board takes ultimate responsibility for these matters.

The Company's constitution permits designated persons to acquire securities in the Company, however Group policy prohibits designated persons from dealing in the Company's securities at any time whilst in possession of price sensitive information and for 24 hours after:

- Any major announcements;
- The release of the Group's quarterly, half yearly and annual financial results to the Australian Securities Exchange; and
- The Annual General Meeting.

Directors must advise the Chairman of the Board before buying or selling securities in the Group. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Securities Exchange, the Company advises ASX of any transaction conducted by directors in the securities of the Company.

Recommendations 3.2, 3.3, 3.4: Diversity

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the second edition Corporate Governance Principles and Recommendations (Principles and Recommendations) in relation to diversity. The Group is committed to supporting diversity, including consideration of gender, age, ethnicity and cultural background. The board is ultimately responsible for reviewing the achievement of this policy. The Group recognises that through consideration of diversity and the best available talent, it will assist in promoting a working environment to maximise achievement of the corporate goals of the organisation.

The Group continues to strive towards achieving objectives established towards increasing gender diversity.

The Group is highly aware of the positive impacts that diversity may bring to an organisation. The Group continues to assess all staff and board appointments on their merits with consideration to diversity a driver in decision making. The Group has not yet developed or disclosed a formal diversity and policy and therefore has not complied with the recommendations 3.2 and 3.3 of the Corporate Governance Council effective from 1 January 2011.

Principle 4: Safeguard integrity in financial reporting

The Group has structured financial management to independently verify and safeguard the integrity of their financial reporting. The structure established by the Group includes:

- Review and consideration of the financial statements by the audit committee; and
- A process to ensure the independence and competence of the Group's external auditors.

Corporate Governance Statement

Recommendations 4.1, 4.2, 4.3: Audit Committee

The audit, risk and compliance committee comprises Mr O'Loughlin (Audit Committee Chairman) who is also a non-executive director, Mr Richard Bonython a non-executive director and Mr Donald Stephens the Company Secretary. The board will annually confirm the membership of the committee.

The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Group;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the board of directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Group's governance policies.

The Group does not comply with recommendation 4.2 of the Corporate Governance Council because the majority of members are not independent directors. Given the skills and experience of the audit committee, the board believes the structure and process to be adequate. The board continues to monitor the composition of the committee and the roles and responsibilities of the members.

The board has not adopted and disclosed a formal committee charter in accordance with recommendations 4.3 and 4.4 of the Corporate Governance Council.

Principle 5: Make timely and balanced disclosure

The Group has a policy that all shareholders and investors have equal access to the Group's information. The board ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporation's Act and ASX Listing Rules. The Company Secretary has primary responsibility for all communications with the ASX and is accountable to the board through the Chair for all governance matters.

Recommendations 5.1: Disclosure policy

The Group has not publicly disclosed a formal disclosure policy in accordance with recommendations 5.1 and 5.2 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider disclosure of a disclosure policy to be appropriate at this stage.

Principle 6: Respect the rights of shareholders

The board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Group and its directors and to make well-informed investment decisions.

Corporate Governance Statement

Recommendations 6.1: Communications policy

Information is communicated to Shareholders through:

- annual, half-yearly and quarterly financial reports;
- annual and other general meetings convened for Shareholder review and approval of board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Group maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

All information disclosed to the ASX is posted on the Group's web site www.petratherm.com.au.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

The Group has not publicly disclosed a communications policy in accordance with recommendations 6.1 and 6.2 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider disclosure of a communications policy to be appropriate at this stage.

Principle 7: Recognise and manage risk

The board has identified the significant areas of potential business and legal risk of the Group. In addition the board has developed the culture, processes and structures of the company to encourage a framework of risk management which identifies, monitors and manages the material risks facing the organisation.

Recommendations 7.1, 7.2: Risk management policy

The identification, monitoring and, where appropriate, the reduction of significant risk to the Group is the responsibility of the Managing Director and the board. The board has also established the audit, risk and compliance committee which addresses the risks of the Group.

The board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent board meetings. Budgets are prepared and compared against actual results.

Management and the board monitor the Group's material business risks and reports are considered at regular meetings.

The Group has not publicly disclosed a policy for the oversight and management of material business risks in accordance with recommendations 7.1 and 7.4 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider disclosure of a risk management policy to be appropriate at this stage.

Recommendations 7.3: Declaration from Managing Director and Company Secretary

The Managing Director and the Company Secretary will be required to state in writing to the board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results are in

Corporate Governance Statement

accordance with relevant accounting standards. Included in this statement will be confirmation that the Group's risk management and internal controls are operating efficiently and effectively.

Principle 8: Remunerate fairly and responsibly

The Chairman and the non-executive directors are entitled to draw director's fees and receive reimbursement of reasonable expenses for attendance at meetings. The Group is required to disclose in its annual report details of remuneration to directors. The maximum aggregate annual remuneration which may be paid to non-executive directors is \$300,000. This amount cannot be increased without the approval of the Group's shareholders. Please refer to the remuneration report within the director's report for details regarding the remuneration structure of the managing director and senior management.

Recommendation 8.1: Remuneration Committee

The board has not established a remuneration committee or disclosed a committee charter on the Company website and therefore has not complied with recommendations 8.1 and 8.3 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider a remuneration committee to be appropriate at this stage.

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2013 \$	2012 \$
Revenue	4 (a)	75,960	121,932
Impairment of non-current assets	4 (b)	(42,797)	(449,511)
Employee benefits expense	4 (c)	(500,368)	(722,294)
Depreciation expense	4 (b)	(22,884)	(35,124)
Other expenses	4 (d)	(709,718)	(886,980)
Loss before income tax expense		(1,199,807)	(1,971,977)
Income tax (expense)/benefit	5	410,810	163,662
Loss for the period		(788,997)	(1,808,315)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations		275,455	(219,327)
Total comprehensive income for the year		(513,542)	(2,027,642)
Total comprehensive income attributable to:			
Non-controlling interest	19	-	-
Loss attributable to members of the parent entity		(513,542)	(2,027,642)
Earnings per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share	6	(0.47)	(1.24)
Diluted earnings per share	6	(0.47)	(1.24)

The accompanying notes form part of these financial statements

Statement of Financial Position

AS AT 30 JUNE 2013

	Note	Consolidated	
		2013 \$	2012 \$
CURRENT ASSETS			
Cash and cash equivalents	7	877,345	1,314,578
Trade and other receivables	8	100,530	59,975
Other current assets	9	20,713	43,618
TOTAL CURRENT ASSETS		998,588	1,418,171
NON-CURRENT ASSETS			
Property, plant and equipment	10	63,700	83,977
Exploration and evaluation assets	11	19,310,735	18,583,124
TOTAL NON-CURRENT ASSETS		19,374,435	18,667,101
TOTAL ASSETS		20,373,023	20,085,272
CURRENT LIABILITIES			
Trade and other payables	13	182,674	156,098
Short term provisions	14	37,754	44,090
TOTAL CURRENT LIABILITIES		220,428	200,188
NON-CURRENT LIABILITIES			
Long term provisions	14	15,002	8,624
Other	15	2,898,000	2,898,000
TOTAL NON-CURRENT LIABILITIES		2,913,002	2,906,624
TOTAL LIABILITIES		3,133,430	3,106,812
NET ASSETS		17,239,593	16,978,460
EQUITY			
Issued capital	16	32,225,168	31,450,493
Reserves	17	23,391	(211,414)
Retained earnings	18	(15,008,966)	(14,260,619)
Parent interests		17,239,593	16,978,460
Non-controlling interests	19	-	-
TOTAL EQUITY		17,239,593	16,978,460

The accompanying notes form part of these financial statements

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated					
	Issued Capital Ordinary \$	Retained Earnings \$	Share Option Reserve \$	Foreign Currency Translation Reserve \$	Minority Interest \$	Total \$
Balance at 1 July 2011	28,850,178	(12,999,384)	1,219,166	(712,073)	-	16,357,887
Total comprehensive income for the year	-	(1,808,315)	-	-	-	(1,808,315)
Shares issued via share purchase plan	458,500	-	-	-	-	458,500
Shares issued via placement	2,289,000	-	-	-	-	2,289,000
Issue of share options	-	-	47,900	-	-	47,900
Transaction costs	(210,264)	-	-	-	-	(210,264)
Tax portion of capital raising costs	63,079	-	-	-	-	63,079
cancellation of vested options	-	547,080	(547,080)	-	-	-
Foreign exchange translations	-	-	-	(219,327)	-	(219,327)
Balance at 30 June 2012	31,450,493	(14,260,619)	719,986	(931,400)	-	16,978,460
Balance at 1 July 2012	31,450,493	(14,260,619)	719,986	(931,400)	-	16,978,460
Total comprehensive income for the year	-	(788,997)	-	-	-	(788,997)
Shares issued via rights issue	847,339	-	-	-	-	847,339
Exercise of share options	2,729	-	-	-	-	2,729
Transaction costs	(107,705)	-	-	-	-	(107,705)
Tax portion of capital raising costs	32,312	-	-	-	-	32,312
Transfer from employee equity-settled benefits reserve upon cancellation of vested options	-	40,650	(40,650)	-	-	-
Foreign exchange translations	-	-	-	275,455	-	275,455
Balance at 30 June 2013	32,225,168	(15,008,966)	679,336	(655,945)	-	17,239,593

The accompanying notes form part of these financial statements

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated	
		2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,183,015)	(1,666,505)
Finance Costs		-	-
Research & Development Tax offset received		443,122	226,741
Management Fee		7,759	5,205
Interest received		45,768	120,310
NET CASH USED IN OPERATING ACTIVITIES	7	(686,366)	(1,314,249)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,975)	(1,797)
Joint Venture receipts		12,261	449,246
Payments for exploration activities		(502,516)	(2,257,956)
NET CASH PROVIDED/(USED IN) INVESTING ACTIVITIES		(493,230)	(1,810,507)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		850,068	2,747,500
Transaction costs of issue of shares		(107,705)	(210,264)
Repayment of borrowings		-	(26,898)
NET CASH PROVIDED BY FINANCING ACTIVITIES		742,363	2,510,338
Net increase/(decrease) in cash and cash equivalents		(437,233)	(614,418)
Cash at the beginning of the year		1,314,578	1,928,996
CASH AT THE END OF THE YEAR	7	877,345	1,314,578

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1. CORPORATE INFORMATION

The financial report of Petratherm Limited (the Company) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 27 September 2013. Petratherm Limited is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Petratherm Limited and controlled entities ('Group').

Basis of preparation

The financial report is a general-purpose financial report, which has 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. Petratherm Ltd is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Two comparative periods are presented for the statement of financial position when the Company:

- i Applies an accounting policy retrospectively;
- ii Makes a retrospective restatement of items in its financial statements; or
- iii Reclassifies items in the financial statements.

We have determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the previously presented primary financial statements that were presented in the prior year financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

a. Principles of consolidation

A controlled entity is any entity Petratherm Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in Note 23 to the financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

b. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Sale of Goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Provision of services

Revenue relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable. All revenue is stated net of goods and services tax.

c. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Notes to the Financial Statements

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When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

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. Other costs are expensed as incurred.

e. Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and cash in hand and short term deposits with an original maturity of six months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

f. Trade and other receivables

Trade receivables, which generally 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.

g. Financial instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instrument classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

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 (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, 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.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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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 utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Petratherm Limited and its wholly-owned Australian controlled entity have not yet decided to implement the tax consolidation legislation as of 1 July 2007. The Australian Taxation Office has not yet been notified of any decision.

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)

Revenues, expenses and assets are recognised net of the amount of GST except:

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- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the statement of cash flows 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, are classified as operating cash flows.

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

j. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a reducing balance basis on all plant and equipment.

Major depreciation rates used for each class of depreciable asset are:

Plant and equipment 10 - 50%.

Impairment

The carrying values of plant and equipment is reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

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An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

k. Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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 the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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

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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. 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 on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to the basis that the restoration will be completed within one year of abandoning the site.

m. Trade and other payables

Trade payables 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 present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 pretax rate that reflects the risks specific to the liability.

o. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are

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apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of profit or loss and other comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

p. Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions

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 are 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 statement of profit or loss and other comprehensive income, together with a corresponding increase in the share option reserve, when the options are issued.

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

q. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

r. Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

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 2012 and 2013.

s. Foreign Currency Translation

Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Petratherm Group's functional and presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
- all resulting exchange differences are recognised as a separate component

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of equity.

t. **Joint Venture**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation. 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 JV's, as well as the parties involved, can be found in note 27.

u. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report 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.

Key Estimates — Exploration and evaluation

The Group's policy for exploration and evaluation is discussed in note 2(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 statement of profit or loss and other comprehensive income. Refer to note 11 for further details and a reconciliation of the capitalised expenditure written off during the year.

v. **New and amended standards adopted by the Group/Company**

AASB 2010-8 Amendments to Australian Accounting Standard - Deferred Tax: Recovery of Underlying Assets (Applies to annual reporting periods beginning on or after 1 January 2012)

AASB 2010-8 provides clarification on the determination of deferred tax assets and deferred tax liabilities when investment properties are measured using the fair value model in AASB 140 Investment Properties. It introduces a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model where the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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AASB 2010-8 also includes the requirement that the measurement of deferred tax assets and deferred tax liabilities on non-depreciable assets measured using the revaluation model in AASB 116 Property, Plant and Equipment should always be based on recovery through sale.

These amendments have had no impact on the Group.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (Applies annual reporting periods beginning on or after 1 July 2012)

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially re-classifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Groups accounting policies or the amounts reported during the current half-year period. The adoption of AASB 2011-9 has resulted in changes to the Group's presentation of its financial statements.

w. Accounting standards issued but not yet effective and not been adopted early by the Group

The Group notes the following Accounting Standards which have been issued but are not yet effective at 30 June 2013. These standards have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for

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trading in other comprehensive income (instead of in profit or loss).

- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;
 - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and;
 - The remaining change is presented in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments (effective 1 January 2013)

- AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation - Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

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- AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly-controlled Entities - Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change.

In addition, AASB 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the joint arrangements in place relate to joint operations.

- AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group/Company will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group/Company's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The Group is yet to undertake a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.

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(iv) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

The Group does not have any defined benefit plans. Therefore, these amendments will have no impact on the Group

(v) AASB Interpretation 20 Stripping Costs in the Production Phase of Surface Mining

This interpretation clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories, if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, (if certain recognition criteria are met, as an addition to, or enhancement of, an existing asset).

The Group does not operate a surface mine. Therefore, there will be no impact on the financial statements when this interpretation is first adopted for reporting periods commencing from 1 January 2013.

(vi) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

When these amendments are first adopted for the year ending 30 June 2014, they are unlikely to have any significant impact on the Group.

(vii) AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

When this AASB 2012-2 is first adopted for the year ended 30 June 2014, there will be no impact on the Group/Company as the Group does not have any netting arrangements in place.

(viii) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 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.

When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

(ix) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

(x) IFRIC Interpretation 21 Levies

IFRIC 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

When this interpretation is adopted for the first time on 1 January 2014, there will be no significant impact on the financial statements as the Group is not subject any levies addressed by this interpretation.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

3. OPERATING SEGMENTS

The Group has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising 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 to 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.

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	
	Year ended		Year ended	
	2013	2012	2013	2012
	\$	\$	\$	\$
Continuing Operations				
Paralana Project	7,759	5,205	-	-
Australia (Other)	-	-	(42,797)	(341,710)
Spain	-	-	(1,343)	(107,801)
	7,759	5,205	(44,140)	(449,512)
Administration/Corporate	68,201	116,727	(1,132,783)	(1,487,342)
Finance Costs	-	-	-	-
Depreciation	-	-	(22,884)	(35,124)
Consolidated revenue	75,960	121,932		
Profit/(Loss) before income tax			(1,199,807)	(1,971,977)
Income tax benefit/(expense)			410,810	163,662
Profit/(Loss) for year			(788,997)	(1,808,315)

The revenue reported above represents revenue generated from 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

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

(expense)/benefit. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

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

	Opening Balance 1/07/2012 \$	Exploration Expenditure \$	Forex Movement \$	Impairment \$	Closing Balance 30/06/2013 \$
Paralana Project	16,250,463	190,083		-	16,440,546
Clean Energy Precinct	-	-		-	
Australia (ex Paralana)	-	86,608		(42,797)	43,812
Spain	2,332,661	218,263	275,455	-	2,826,378
Total segment assets	18,583,124	494,954	275,455	(42,797)	19,310,736
Other					
Administration/Corporate (i)	1,502,148				1,062,287
	<u>20,085,272</u>				<u>20,373,023</u>

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

	Opening Balance 1/07/2011 \$	Exploration Expenditure \$	Forex Movement \$	Impairment \$	Closing Balance 30/06/2012 \$
Paralana Project	15,231,226	1,019,237		-	16,250,463
Clean Energy Precinct	-			-	
Australia (ex Paralana)	133,188	208,522		(341,710)	-
Spain	2,440,134	219,655	(219,327)	(107,801)	2,332,661
Total segment assets	17,804,548	1,447,414	(219,327)	(449,511)	18,583,124
Other					
Administration/Corporate (i)	2,259,306				1,502,148
	<u>20,063,854</u>				<u>20,085,272</u>

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

4. REVENUE AND EXPENSES

	Consolidated	
	2013	2012
	\$	\$
(a) Revenue and other income		
Bank interest received or receivable	43,882	116,483
Other income	24,319	244
Management Fees	7,759	5,205
	75,960	121,932
(b) Expenses		
<i>Impairment of non-current assets</i>		
Capitalised tenement costs written off	42,797	449,511
Total impairment of non-current assets	42,797	449,511
<i>Depreciation of non-current assets</i>		
Plant and equipment	22,884	35,124
Total depreciation	22,884	35,124
(c) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	466,528	735,943
Superannuation	33,797	63,316
Transfer to/(from) annual leave provision	7,163	(64,702)
Transfer to/(from) long service leave provision	(7,120)	(60,163)
Share-based payments expense	-	47,900
	500,368	722,294

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013	2012
	\$	\$
(d) Other expenses from ordinary activities		
Secretarial, professional and consultancy	176,841	150,320
Travel expenses	40,257	61,172
Promotion and advertising	5,265	21,623
Occupancy costs	165,795	165,507
Share register maintenance	27,352	35,978
Insurance costs	33,744	35,787
Conference & seminars	18,553	47,431
Entertainment	13,169	19,766
AGM expenses	41,601	44,160
Audit fees	28,450	28,750
Listing fees	23,054	27,470
Subscriptions, publications & memberships	32,295	60,762
Legal fees	5,440	10,141
Bank Charges	6,258	5,592
Communication & computer expenses	25,281	31,650
Office expenses	28,037	40,075
Other expenses	38,326	100,796
	709,718	886,980

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

5. INCOME TAX

	Consolidated	
	2013	2012
	\$	\$
The major components of income tax expense are:		
<i>Current income tax</i>		
Current income tax charge/(benefit)	32,312	63,079
Research & Development Tax offset	(443,122)	(226,741)
Income tax expense/(benefit) reported in the statement of comprehensive income	(410,810)	(163,662)

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting loss before income tax	(1,199,807)	(1,971,977)
At the Group's statutory income tax rate of 30% (2012: 30%)	(359,942)	(591,593)
Expenditure not allowable for income tax purposes	11,219	114,405
Other deductible items	348,786	455,181
Tax losses not recognised due to not meeting recognition criteria	(63)	22,007
Tax portion of share issue costs	32,312	63,079
Research & Development Tax offset	(443,122)	(226,741)
	(410,810)	(163,662)

The Group has tax losses arising in Australia of \$31,578,456 (2012: \$28,810,302) that may be available and may be offset against future taxable profits of the companies in which the losses arose.

No DTA 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.

Tax consolidation

Petratherm Limited and its group have not yet decided to implement the tax consolidation legislation as of 1 July 2008. The Australian Taxation Office has not yet been notified of any decision. The accounting policy relating to the possible implementation of the tax consolidation legislation is set out in note 2(h), together with the impact on the income tax expense for the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

6. EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit or loss attributable to ordinary equity holders of the parent 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 net loss and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2013	2012
	\$	\$
Net loss from continued operations	(788,997)	(1,808,315)
	2013	2012
Weighted average number of ordinary shares for basic earnings per share	167,262,510	145,938,009
Effect of dilution	N/A	N/A
Weighted average number of ordinary shares adjusted for the effect of dilution	167,262,510	145,938,009

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 2012 and 2013.

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	2013	2012
	\$	\$
Cash at bank and in hand	299,802	189,100
Short-term deposits	577,543	1,125,478
	877,345	1,314,578

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013	2012
	\$	\$
Reconciliation to Statement of Cash Flows		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:		
Cash at banks and in hand	299,802	189,100
Short-term deposits	577,543	1,125,478
	877,345	1,314,578
Reconciliation of net profit/(loss) after tax to net cash flows from operations		
Net loss	(788,997)	(1,808,315)
<i>Adjustments for non-cash items:</i>		
Depreciation	22,884	35,124
Impairment of non-current assets	42,797	449,511
Non-cash income tax expense	(410,810)	(163,662)
Share options expensed	-	47,900
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	228,094	436,699
(Increase)/decrease in prepayments	(22,905)	(22,440)
(Decrease)/increase in trade and other payables	261,060	(197,454)
(Decrease)/increase in employee entitlements	42	(74,865)
(Decrease)/increase in net goods and service tax receivable	(18,531)	(16,747)
Net cash from operating activities	(686,366)	(1,314,249)

8. TRADE AND OTHER RECEIVABLES

Trade receivables (i)	28,057	17,925
Goods & Services Tax receivable	18,421	36,952
JV Contributions receivable(ii)	54,052	5,098
	100,530	59,975

- i). 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 2012 or 2013 and no receivables are past due at balance date.
- ii). Contributions receivable relate to amounts due from joint venture parties.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013	2012
	\$	\$
9. OTHER CURRENT ASSETS		
Prepayments	16,692	38,612
Accrued income	4,021	5,006
	20,713	43,618

10. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

Cost

Balance at 1 July	346,463	384,274
Additions	2,607	1,797
Disposals	-	(39,608)
Balance at 30 June	349,070	346,463

Accumulated Depreciation

Balance at 1 July	262,486	241,354
Depreciation for the year	22,884	35,124
Disposals	-	(13,992)
Balance at 30 June	285,370	262,486

Total net book value as at 30 June	63,700	83,977
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Impairment of property, plant and equipment

No material impairment loss was recognised or reversed for the year ended 30 June 2012 and 2013 with respect to plant and equipment.

The depreciation rate of the assets was estimated as follows both for 2012 and 2013:
Plant and equipment 10 - 50%.

11. EXPLORATION AND EVALUATION ASSETS

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

Exploration and evaluation phases	19,310,735	18,583,124
	19,310,735	18,583,124

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Consolidated entity	Total
Capitalised tenement expenditure movement reconciliation	
Balance at the 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 year	<u>19,310,735</u>

The impairment expense of \$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.

12. SHARE-BASED PAYMENTS

Employee Share Option Plan

The Group has 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;
- 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 a Group Company 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 Group will not apply for official quotation of any options;
- 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

The board may amend the Plan Rules subject to the requirements of the Australian Securities Exchange Listing Rules.

The expense recognised in the statement of comprehensive income in relation to share-based payments is disclosed in note 4(c).

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

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Outstanding at the beginning of the year	2,330,000	0.26	4,060,000	0.35
Granted during the year	-	-	400,000	0.04
Forfeited during the year	(30,000)	0.37	(2,130,000)	0.44
Exercised during the year	-	-	-	-
Outstanding at the end of the year	<u>2,300,000</u>	<u>0.24</u>	<u>2,330,000</u>	<u>0.26</u>
Exercisable at the end of the year	<u>2,300,000</u>	<u>0.24</u>	<u>2,330,000</u>	<u>0.26</u>

The outstanding balance as at 30 June 2013 is represented by:

- A total of 50,000 options exercisable any time until 6 October 2013 with a strike price of \$0.56
- A total of 150,000 options exercisable any time until 27 November 2013 with a strike price of \$0.42
- 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

Contractual life of options

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 1.85 years (2012: 2.74 years).

Exercise price of options

The range of exercise prices for options outstanding at the end of the year was \$0.14-\$0.56 (2012: \$0.14-\$1.20).

Fair value of options

The weighted average fair value of options granted during the year was NIL (2012: \$0.04).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2012 and 30 June 2013:

	2013	2012
Historical volatility (%)	N/A	74.63%
Risk-free interest rate (%)	N/A	3.52%
Expected life of option (years)	N/A	5

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

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. Full details of option holdings of directors and company secretary are disclosed in the remuneration report. The fair value of the equity-settled share options granted to directors is calculated using the method detailed above. The following table lists the inputs to the model used for the year ended 30 June 2013:

	2013	2012
Historical volatility (%)	N/A	74.63%
Risk-free interest rate (%)	N/A	3.52%
Expected life of option (years)	N/A	5

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

13. TRADE AND OTHER PAYABLES

	Consolidated	
	2013	2012
	\$	\$
Trade payables (i)	78,452	62,460
Other Payables	104,222	93,638
	182,674	156,098

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

14. PROVISIONS

Current

Annual leave/Long Service Leave provision

Balance at 1 July	44,090	138,915
Transfer to/ (from) provision	(6,336)	(94,825)
Closing Balance 30 June	37,754	44,090

Non-current

Long Service Leave:

Balance at 1 July	8,624	38,664
Transfer to/ (from) provision	6,378	(30,040)
Closing Balance 30 June	15,002	8,624

Provision for Long-term 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 2(p) to this report.

Provision for 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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

15. OTHER NON-CURRENT LIABILITIES

	Consolidated	
	2013	2012
	\$	\$
Deferred Government Grants	2,898,000	2,898,000
	2,898,000	2,898,000

16. ISSUED CAPITAL

Issued capital

177,067,166 fully paid ordinary shares (2012:
148,751,583)

32,225,168	31,450,493
32,225,168	31,450,493

	2013		2012	
	Number	\$	Number	\$
Balance at beginning of financial year	148,731,583	31,450,493	126,751,583	28,850,178
Shares issued via rights issue	28,244,647	847,339	3,668,000	458,500
Exercise of share options	90,936	2,729	18,312,000	2,289,000
Transaction costs on share issue	-	(107,705)	-	(210,264)
Tax portion of capital raising costs	-	32,312	-	63,079
Balance at end of financial year	177,067,166	32,225,168	148,731,583	31,450,493

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

17. RESERVES

Share option reserve

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as discussed in note 2(s).

	Consolidated	
	2013	2012
	\$	\$
Reserves		
Foreign currency translation	(656,100)	(931,400)
Share option reserve	679,336	719,986
	23,236	(211,414)
Foreign currency translation		
Balance at beginning of financial year	(931,400)	(712,073)
Foreign exchange translations	275,300	(219,327)
Balance at end of financial year	(656,100)	(931,400)
Share option reserve		
Balance at beginning of financial year	719,986	1,219,166
Transfer from employee equity-settled benefits reserve upon cancellation of vested options	(40,650)	(547,080)
Issue of Share Options	-	47,900
Balance at end of financial year	679,336	719,986
18. RETAINED EARNINGS		
Balance at beginning of financial year	(14,260,619)	(12,999,384)
Net profit attributable to members of the parent entity	(788,997)	(1,808,315)
Transfer from employee equity-settled benefits reserve upon cancellation of vested options	40,650	547,080
Balance at end of financial year	(15,008,966)	(14,260,619)
19. MINORITY INTEREST		
Contributed capital	1,299	344
Opening share of losses	(1,299)	(344)
Balance at end of financial year	-	-

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

20. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2013	2012
	\$	\$
<u>Operating leases</u>		
Not longer than 1 year	127,016	113,460
Longer than 1 year and not longer than 5 years	21,169	18,910
Longer than 5 years	-	-
	148,185	132,370

Terms of lease arrangements

The Group has operating leases in place for plant and equipment and its principal place of business. The plant and equipment lease has 4 year lease and the principal place of business having a 5 year lease. Both leases have terms of renewal and the lease for the Group's principal place of residence has an escalation clause linked to CPI.

Exploration leases

In order to maintain current rights of tenure to exploration tenements the Group will be required to outlay \$207,869 in respect of tenement lease rentals and to meet minimum expenditure requirements.

21. CONTINGENT ASSETS AND LIABILITIES

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 \$145,000 at 30 June 2013. 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 held against the office lease.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

22. AUDITOR'S REMUNERATION

	Consolidated	
	2013	2012
	\$	\$
Audit or review of financial report	31,075	28,750
	31,075	28,750

No other services have been provided

23. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest	
		2013 %*	2012 %*
<u>Parent entity</u> Petratherm Ltd	Australia		
<u>Subsidiary</u> MNGI Pty Ltd	Australia	100	100
<u>Subsidiary</u> PetraGas Ltd (formerly Heliotherm Ltd)	Australia	100	100
<u>Subsidiary</u> PTR Holdings BV	Netherlands	100	100
<u>Subsidiary</u> Petratherm Espana SL	Spain	93	93

* Percentage of voting power is in proportion to ownership

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS

Capital risk 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Categories of financial instruments

	Consolidated	
	2013	2012
	\$	\$
Financial Assets		
Cash and cash equivalents	877,345	1,314,578
Trade and other receivables	100,530	59,975
Financial Liabilities		
Trade and other payables	182,674	156,098

Credit risk management

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who 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.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	< 1year \$	> 1 - <5 years \$	Non-Interest Bearing \$	Total \$
Year ended 30 June 2013				
<i>FINANCIAL LIABILITIES</i>				
<i>Fixed rate</i>				
Trade and Other Payables	-	-	182,674	182,674
Borrowings	-	-	-	-
Weighted average effective interest rate	-	0.00%	-	-
Year ended 30 June 2012				
<i>FINANCIAL LIABILITIES</i>				
<i>Fixed rate</i>				
Trade and Other Payables	-	-	156,098	156,098
Borrowings	-	-	-	-
Weighted average effective interest rate	-	0.00%	-	-

The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	< 1year \$	> 1 - <5 years \$	Non-Interest Bearing \$	Total \$
Year ended 30 June 2013				
<i>FINANCIAL ASSETS</i>				
<i>Fixed rate</i>				
Cash assets	577,543	-	-	577,543
Receivables	-	-	100,530	100,530
Weighted average effective interest rate	3.83%	-	-	-
<i>Floating rate</i>				
Term Deposit	299,802	-	-	299,802
Weighted average effective interest rate	2.50%	-	-	-
Year ended 30 June 2012				
<i>FINANCIAL ASSETS</i>				
<i>Fixed rate</i>				
Cash assets	1,125,478	-	-	1,125,478
Receivables	-	-	59,975	59,975
Weighted average effective interest rate	4.27%	-	-	-
<i>Floating rate</i>				
Term Deposit	189,100	-	-	189,100
Weighted average effective interest rate	3.50%	-	-	-

At reporting date, if interest rates had been 50 basis points higher or lower and all other

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

variables were held constant, the Group's:

- net loss would increase or decrease by \$4,387 which is mainly attributable to the Group's exposure to interest rates on its variable bank deposits.

25. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION

Payments to related parties

HLB Mann Judd (SA) Pty Limited has received professional fees for accounting, taxation and secretarial services provided during the year amounting to \$176,682(2012: \$145,435). Donald Stephens, the company secretary, is a consultant with HLB Mann Judd (SA) Pty Limited.

O'Loughlins lawyers of which Simon O'Loughlin is a partner received legal fees of \$66,142 (2012:\$34,955) during the year.

All related party transactions are conducted at commercial rates on an arms length basis.

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

Derek Carter (Chairman)
 Terry Kallis (Managing Director)
 Richard Bonython (Non-Executive Director)
 Richard Hillis (Non-Executive Director)
 Simon O'Loughlin (Non-Executive Director)
 Lewis Owens (Non-Executive Director)
 Donald Stephens (Company Secretary)
 Peter Reid (Exploration Manager)

The remuneration details of the above personnel can be found in the body of the directors' report. The totals of remuneration paid to key management personnel of the Group during the year are as follows :

	2013 \$	2012 \$
Consolidated group		
Short-term employee benefits	527,600	721,004
Post employment benefits	21,333	60,092
Share-based payments	-	85,600
	548,933	866,696

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Wholly owned Group transactions

Loans

The wholly owned Group consists of Petratherm Limited and its wholly owned controlled entity 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 23. 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 statement of financial position under current assets. Intercompany and cash movements throughout the year are detailed within the body of the statement of cash flows under 'Loans to wholly-owned subsidiary'.

26. SUBSEQUENT EVENTS AFTER THE BALANCE DATE

On 15 July 2013 Petratherm announced its wholly owned subsidiary PetraGas Ltd (Formally Heliotherm Limited) had applied for a Petroleum Exploration Licence north of Hobart in central Tasmania to explore for shale oil & gas.

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

27. 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

28. PARENT ENTITY INFORMATION

	Parent	
	2013 \$	2012 \$
Financial Position		
Assets		
Current Assets	842,253	1,306,648
Non-current Assets	16,533,197	16,405,262
	<u>17,375,450</u>	<u>17,711,910</u>
Liabilities		
Current Liabilities	154,563	144,304
Non-current Liabilities	15,002	8,624
	<u>169,565</u>	<u>152,928</u>
Equity		
Issued Capital	32,225,168	31,450,493
Reserves	679,336	719,986
Retained Earnings	(15,698,619)	(14,611,497)
	<u>17,205,885</u>	<u>17,558,982</u>
Financial Position		
(Loss) for the year	(1,127,772)	(1,439,512)
Other comprehensive income	-	-
	<u>(1,127,772)</u>	<u>(1,439,512)</u>

Contingent Liabilities

Contingent liabilities of the parent entity have been incorporated into the Group information in note 21. 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 20.

29. 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 \$788,997 during the year ended 30 June 2013, and had a net cash outflow of \$1,179,596 from operating and investing activities. The consolidated entity 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.

The accompanying notes form part of these financial statements

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 33 to 75, are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards;
 - b. give a true and fair view of the financial position as at 30 June 2013 and the performance for the year ended on that date of the Company and consolidated Group; and
 - c. comply with International Financial Report Standards as disclosed in Note 2.
2. the Managing Director and Company Secretary have each declared 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.



Terry Kallis
Managing Director

Dated 27th September 2013

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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 statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 company 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.

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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 Company's and consolidated entity's financial position as at 30 June 2013 and of their 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 before tax of \$788,997 during the year ended 30 June 2013, and had a net cash outflow of \$1,179,596 from operating and investing activities. The consolidated entity continues to be reliant upon completion of capital raising for continued operations and provision working capital.

Without qualifying our review conclusion attention is drawn to Note 29 – Going Concern Basis of Accounting 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 2013. 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 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J.L. Humphrey
Director – Audit & Assurance

Adelaide, 27 September 2013