

Annual Report  
2009

CLEAN  
ENERGY  
FOR  
FUTURE  
GENERATIONS

# Corporate Directory

## Directors

Derek Carter (Chairman)  
Terry Kallis (Managing Director)  
Richard Bonython  
Richard Hillis  
Simon O'Loughlin  
Lloyd Taylor (retired 31/08/2008)

## Company Secretary

Donald Stephens

## Registered Office

C/- HLB Mann Judd (SA) Pty Ltd  
82 Fullarton Road  
NORWOOD SA 5067

## 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  
South Australian Partnership  
Chartered Accountants  
67 Greenhill Road  
WAYVILLE SA 5034

This annual report covers both Petratherm Limited (ABN 17 106 806 884) as an individual entity and the Group comprising Petratherm Limited 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 12 to 21. The directors' report is not part of the financial report.



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## Chairman's report

### Clean Energy for Future Generations

It is satisfying to report that the Company has emerged from a challenging financial year in a strong position. Petratherm carefully navigated its way through the uncertainties presented by the "global financial crisis" and emerged as a robust company with a quality portfolio of Australian and international projects.

There were many highlights during the year, notably the start of drilling at the company's flagship Australian project at Paralana. Other highlights included the farm-in by TRUenergy Geothermal into the Paralana Joint Venture, the awarding of a \$7 million geothermal drilling grant and the announcement of an important agreement with the Spanish and Madrid Regional governments for the Madrid district heating project.

The Company was able to continue to invest in and develop its diverse range of electricity generation projects covering engineered geothermal systems (EGS), conventional volcanic-based and also direct use geothermal for district heating.

One of our key milestones of the year and, indeed of the Company's short history, was met on June 30, when drilling started on the first 4 kilometre injector well at

the company's Paralana site some 600 kilometres north of Adelaide in South Australia. The Paralana geothermal energy project was successfully launched by Federal Resources and Energy Minister Martin Ferguson post the reporting period, in early August, with support from South Australian Premier Mike Rann, SA Resources Minister Paul Holloway, representatives of our JV partners and many other valued stakeholders. This launch was an important event for Petratherm - it marked the commencement of drilling, the culmination of years of extensive research and it also set the company's plans firmly on track for Paralana to be producing Australia's first commercial geothermal energy by 2011.

The Paralana project received considerable attention this year with Petratherm and our joint venture project partners Beach Petroleum and TRUenergy Geothermal, awarded the maximum of \$7 million funding under the Commonwealth Government's Geothermal Drilling Program to assist the funding of our HEWI proof of concept stage of work.

The company was also informed the JV partners' application for \$62.8 million under the Federal

Government's Renewable Energy Demonstration Program is eligible. Petratherm is seeking the funds to build a 30 MW commercial demonstration project at Paralana to initially provide power to the Beverley Mine, 11 kilometres from the site. An announcement is expected later this year.

In Spain, Petratherm is working with government authorities to progress its projects in Madrid and Barcelona and post the reporting period reached an important cooperative agreement with the Spanish and the Madrid Regional governments to progress the 8MW Geo-Madrid District Heating Project. The agreement will see a committee formed with members from both Spanish governments and Petratherm to work toward making the project viable. It will be backed by a €87,000 (approximately AUD \$150,000) contribution from the Spanish Federal Government toward a feasibility study.

The remaining Barcelona applications covering the Canoves, Montbui and Vic area were approved and three additional permits issued to Petratherm Espana. The permit areas are located approximately 30 kilometres north-northeast of Barcelona and in close proximity



Petratherm Chairman Derek Carter at our Paralana launch

to major electricity transmission infrastructure with a capacity in excess of 2,000MW.

In the Canary Islands, the Company completed considerable geological information gathering and is now poised to undertake a major magnetotelluric study on the island of Tenerife. That study will aim to provide a drill target for an existing geothermal reservoir. Discussions are also underway with potential joint venture partners.

In China, the company completed an Engineered Geothermal Project Prospectivity assessment, which formed the basis of an Asia Pacific Partnership grant awarded by the Australian Federal Government. The program identified several new prospective geothermal sites for

electricity generation, specifically in the South East of China where most of the new demand for electricity is required. Importantly, economic models of these sites indicate potentially good commercial returns.

During the year, the Petratherm team also continued to explore its tenements in Victoria and Renmark in South Australia. It expanded its skills base with the appointment of accountant Paul Smith to the team and Belinda Willis to oversee public and investor relations. KPMG and leading consultants International Safety and Risk Management also provided valuable advice to the company.

Concurrently, the Company continues its discussions with various potential

joint venture partners for its projects in Australia and overseas.

While it was a challenging year, the Company is in a strong position for growth in the coming year. This was assisted, after the reporting period, by a share purchase plan offer to shareholders which successfully raised \$4.32 million at 26 cents (with a 40% uptake by shareholders) and a further \$3.08 million at 32 cents per share before cost from a share placement to clients of Taylor Collison Ltd.

My particular thanks and appreciation go to the Managing Director, Terry Kallis, and his staff for a successful year. I look forward to an even more successful 2009/10 year and thank you, our shareholders, for your continued support.

Chairman  
Petratherm Limited  
**Derek Carter**

## Our company

During the year the Company advanced its portfolio of projects through continued, exploration, development and assessment.

The Company's primary focus and expenditures continued on its flagship project at Paralana. A combination of JV funding, government grants and additional funds sourced from the equity markets has enabled the Company to confidently progress the Paralana project.

During the reporting period the Company expended \$1,301,050 on exploration and development of its projects. A total of \$9,878,267 was spent on Paralana, of which \$8,950,831 was funded by JV partners and \$1,082,248 by government grants. A total of \$9,031,900 was raised during the year from the equity markets and the Company ended the year with a cash position of \$13,002,052 an increase of \$8,415,037 over the year, reflecting the value of the Paralana JV arrangements.

Petratherm has continued to prove itself a leader in the geothermal energy sector as it advances its projects and actively participates in the policy debate, increasing its profile both in Australia and overseas. In Australia, Petratherm's Managing Director Terry Kallis was a key player in establishing the Australian Geothermal Energy Association in 2007. This year he was appointed Chairman of the organization and

he has been actively involved in the national debate over legislation to reduce carbon emissions and promote the rapid advancement of the renewable energy sector.

As debate in this area continues, the geothermal sector is receiving growing support from the Federal and State governments. This year, Petratherm received grants through the Federal Government's drilling program and also through the South Australian State Government's Plan for Accelerated Exploration (PACE). This support has assisted the Company in working towards producing emission-free, base-load energy at its Paralana site.

Federal Science and Innovation Minister, Kim Carr, this year also announced \$20 million in funding over four years to establish the new national Clean Energy Innovation Centre (CEIC) in Newcastle, New South Wales. Mr Kallis has since been appointed to the board.

Newcastle Innovation, the University of Newcastle's commercial arm, is hosting the centre and working in partnership with the Australian Institute for Commercialization and the Western Australian Sustainable Energy Association. The Centre will help build collaboration between researchers and businesses, and help

clean energy businesses access latest technologies and market specific information.

In South Australia, the state government made its own announcement of funding for a new SA Centre of Excellence for Geothermal Research at the University of Adelaide. Petratherm board member Professor Richard Hillis was appointed interim director of the new centre in recognition of his expertise in the field.

Mr Kallis was also appointed to the Council of the SA Chamber of Mines and Energy (SACOME) to represent Geothermal/Renewables. SACOME is the peak industry association for companies with business interests in the resources industry in South Australia.

Geothermal energy is also gaining profile in Spain, with Petratherm's Spanish Manager Raúl Hidalgo Fernández appointed President of the Geothermal Division of the Spanish Renewable Energy Generators Association (Asociación de Productores de Energías Renovables – APPA).

An assessment of potential on all of the company's projects also resulted in two SA projects, Ferguson Hill and Callabonna, being discontinued and the associated licenses relinquished.



# Paralana Geothermal Project

This Project was launched by

**The Hon Martin Ferguson AM, MP**  
Federal Minister for Resources and Energy

7th August 2009

## Our projects

### Paralana

Our flagship Paralana project in South Australia is on track to deliver Australia's first commercial geothermal energy plant by 2011.

Petratherm saw this project reach some major milestones over the year, including the introduction of TRUenergy Geothermal as a JV partner and the commencement of drilling of the first well that started on June 30. Joint venture partner Beach Petroleum is the Operator under the Paralana JV for the two well drilling campaign using Weatherford Drilling International's giant 2000HP Le Tourneau "Lightning Rig" that arrived in Port Pirie from Dubai in May. The next step will be to create an underground reservoir before undertaking the drilling of a second well in the middle of next year.

A successful launch of the project by Australia's Federal Resources and Energy Minister Martin Ferguson with support from the South Australian Premier (post reporting period) marked the progression to creating a low-impact, fully operational plant delivering zero emission power.

Paralana is a stand out geothermal project. The site contains some of the highest heat producing rocks found anywhere in the world with



Drilling begins at our Paralana geothermal project site



Federal Industry and Resources Minister Martin Ferguson at the Paralana project launch

investigations indicating rocks 3.6km below the surface reaching temperatures of about 200°C.

Paralana is also close to a customer with the first 7.5MW plant to provide power to the nearby Beverley Mine. We have a sound longer term commercial plan to supply large-scale base-load power into Australia's national electricity market through entry points at Port Augusta or Olympic Dam.

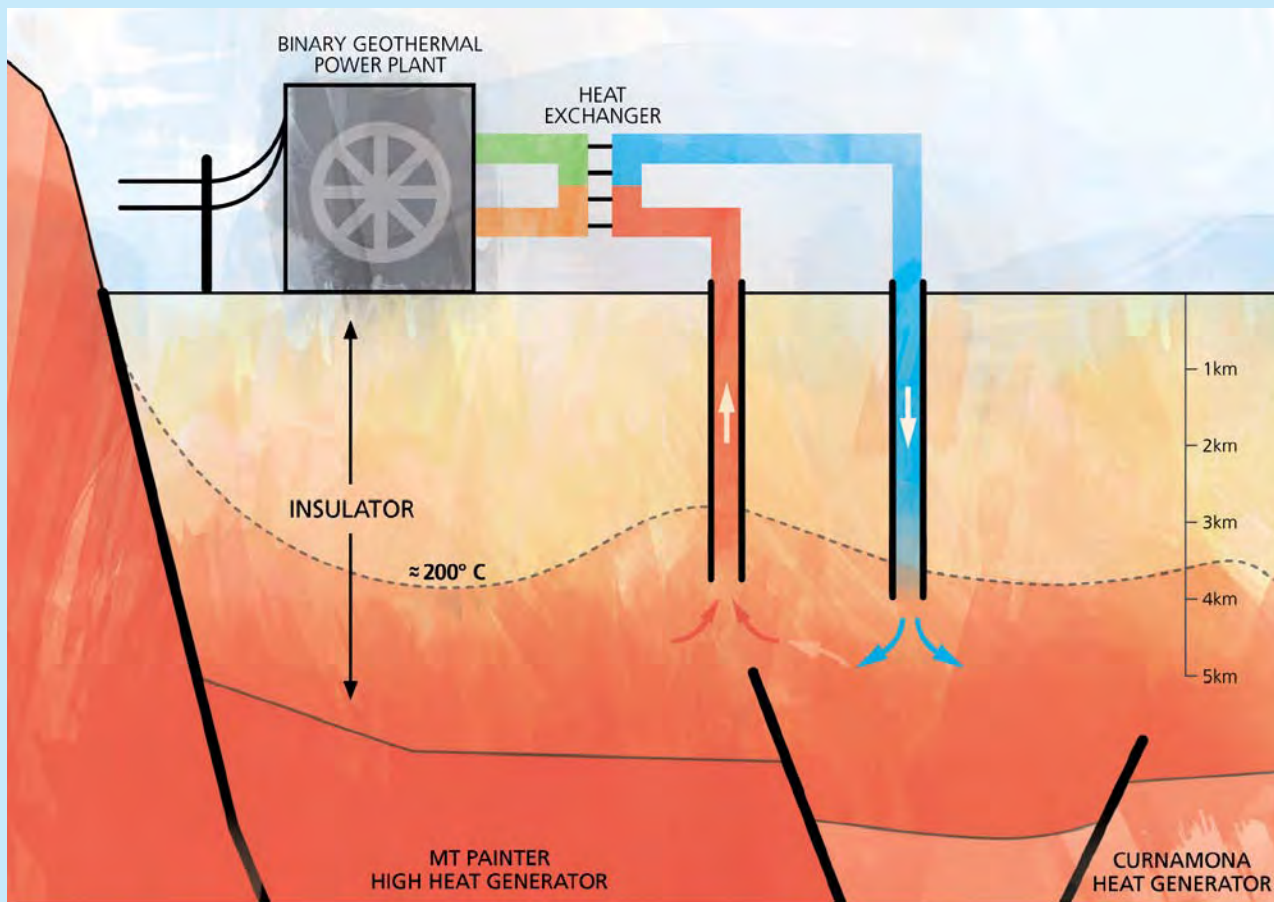


Minister Martin Ferguson , Premier Mike Rann and Derek Carter Chairman of Petratherm

The project has received further Federal government support this year with a \$7million grant under the Geothermal Drilling Program and another application for \$62.8 million to build a 30MW commercial demonstration project being assessed under the Federal Governments Renewable Energy Demonstration Project program.

Paralana has a formidable team of joint venture partners with Petratherm joining forces with Beach Petroleum and TRUenergy. Beach Petroleum is a leading oil & gas company and can earn up to 36% of the project for \$30 million plus their equity share of project costs. TRUenergy is a wholly owned subsidiary of the CLP group, one of the largest, publicly listed power businesses in Asia Pacific. TRUenergy Geothermal farmed-in to the Paralana Project in August 2008. TRUenergy Geothermal can earn up to 30% of the project for \$57 million plus their equity share of project costs.

## Our projects



Petratherm's unique Heat Exchanger Within Insulator (HEWI) model for an Engineered Geothermal System

Petratherm itself provides the project with further technical strength as the company applies its unique "Heat Exchanger Within Insulator" (HEWI) model to the site. This model works towards creating the requisite underground heat exchanger within the naturally permeable and porous insulating rock above the granite heat source.

### East Gippsland, Victoria

In November, the Company was awarded a 9,000km<sup>2</sup> geothermal exploration permit for Victoria's East Gippsland Basin to develop a Hot Sedimentary Aquifer (HSA) geothermal project. The area covers the onshore component of the Gippsland Basin in the Bairnsdale - Lakes Entrance area.

Exploration work has been continuing with preliminary economic analysis indicating that the project is capable of producing commercially

viable, large-scale base load, power generation.

The Company plans a phased exploration program over the next five years beginning with magnetotelluric and seismic work, followed by production well drilling, reservoir development and closed loop circulation testing.

The exploration model targets potential permeable reservoir sequences which may contain brine fluid in excess of 150°C at economically viable drill depths (3.5–4.0 kilometres). Geothermal target areas within the tenement area are well located close to significant power station and transmission infrastructure.

### Renmark

Further work has been undertaken to assess two geothermal exploration licences (GELs), located 26 kilometres northwest of Renmark in South

Australia's Riverland Region.

The tenements cover the highly prospective Renmark Trough and are ideally situated in close proximity to two major transmission lines capable of carrying in excess of 220 MW of power.

The two contiguous GELs cover the township of Renmark North and adjacent districts and capture the deepest portion of the Renmark Trough, a fault bounded sub-basin of the Murray Basin System. The estimated depth to basement, based on seismic data, is about 3.5 kilometres. Measured thermal gradients in the area are elevated and potentially around 40 degrees per kilometre. The current exploration initiative is looking to test a hot sedimentary aquifer geothermal model by directly sourcing hot brine waters from aquifers near the base of the trough.



## Our projects



China's geothermal springs

Two high voltage 132 kV transmission lines run through the tenement holding. Network analysis of the transmission system has confirmed that this is a strong portion of the National Electricity Grid and could easily support a large scale geothermal development. Whilst the region is not expected to yield as high a geothermal gradient as Petratherm's flagship Paralana Project, improved efficiencies can be afforded by its proximity to this transmission infrastructure and the potential for natural hot geothermal waters requiring minimal engineering costs to develop.

### Spain, Madrid

Petratherm has entered an important Cooperative Agreement post the reporting period with the Spanish Federal Government and the Madrid Regional Government. The agreement will progress our 8MW Madrid Geothermal District Heating (GDH) project.

It involves establishing a committee with members from both Spanish governments and Petratherm to work toward making the project viable, with a €87,000 (approximately AUD \$150,000) contribution from the Spanish Federal Government toward a feasibility study.

The agreement reflects a strong desire by Spanish authorities to realise a working example of a geothermal district heating project in the Madrid Region.

Petratherm's Madrid GDH project has been highlighted as one of six renewable energy projects of interest within the Madrid Regional Government's Renewable Energy Cluster Project, which is seeking to advance renewable energy projects in the Madrid Region.

The committee will now work on:

- An agreement with customers for the supply of heat – the customers include various departments of the Madrid Regional Government.
- Assessing potential subsidy and financing options available from government programs for the GDH project.
- Obtaining environmental clearances for drilling and development.
- Securing a competitively based engineering, procurement and construction contract, and;
- Establishing a competitively based operations and maintenance contract.

The Madrid project is planned to be the first application of geothermal district heating in the Madrid Region,

providing a foundation to expand other applications across Petratherm's large tenement north of the city of Madrid.

### Barcelona

Petratherm's remaining Barcelona applications covering the Canoves, Montbui and Vic areas have been approved and three additional permits issued to Petratherm España.

Petratherm now has four geothermal investigation permits covering areas within the Valles and Ebro Basins near the city of Barcelona.

The Montbui area is well known for its thermal spas with the city of Montbui having an ancient spa dating back to Roman days and surface hot springs exceeding 80°C. The permit areas are located approximately 30 kilometres north-northeast of Barcelona and in close proximity to major electricity transmission infrastructure with a capacity in excess of 2,000 MW.

The Valles Basin permit areas cover locations of known high heat flow with local hot aquifers evidencing temperatures of between 115°C to 130°C at depths of 1,500 metres to 2,000 metres. A 1,000 metre deep geothermal well (Samalus 6) on the northern edge of the Valles basin has a measured temperature of 90°C.



Volcano in Tenerife. Tenerife the largest of the seven islands in the Spanish archipelago

The heat source arises from high heat production granites that underpin the Valles Basin and outcrop in the adjacent ranges. The basin thickness is estimated at approximately 3,000 metres.

The geology (including temperatures and depths of aquifers) and market characteristics make the Barcelona project area attractive for both geothermal district heating (GDH) applications and engineered geothermal systems (EGS) development for electricity production.

### **Tenerife Volcanic Geothermal Project**

Petratherm España has three Geothermal Exploration Licenses (GELs) on Tenerife, the largest of the seven islands in this Spanish archipelago located off the west coast of North Africa. The Canary Islands, known for their volcanism, are considered excellent sites for exploiting conventional geothermal technology. Conventional geothermal projects are commercially established in many parts of the world accounting for more than 10,000 MW of installed power generation capacity.

Tenerife has a permanent population in excess of 1 million. During the peak tourist season the population can exceed 1.5 million placing a large demand on peak power generation, in excess of 800 MW. The island has substantial transmission infrastructure within close proximity of Petratherm's Geothermal Exploration Licenses (GELs).

Petratherm's Tenerife Project provides a major opportunity to develop a conventional geothermal power project with minimal associated technical project risk and an attractive market that is focused on the development of sustainable energy alternatives to imported fossil fuel sources.

Petratherm España has sought tenders for a major magneto-telluric (MT) study to be undertaken across its three tenements on the island of Tenerife. The MT study will assist in locating a drilling target for the development of geothermal power production on the island. Concurrently, Petratherm España has commenced discussions with interested joint venture parties for the Tenerife project.

### **China**

The Company recently completed a Engineered Geothermal Project Prospectivity assessment for China, which formed the basis of a Asia Pacific Partnership grant awarded by the Australian Federal Government. The program identified several new prospective geothermal sites for electricity generation, specifically in the South East of China where most of the new demand for electricity is required. Importantly, economic models of these sites indicate potentially good commercial returns. The company is continuing talks with potential local joint venture partners, local governments, and the national government over sites identified in Jiangsu and Fujian Provinces.

## Directors' report

Your directors submit their report for the year ended 30 June 2009.

### DIRECTORS

**Derek Carter** Chairman

**Terry Kallis** Managing Director

**Lloyd Taylor** Non-Executive Director (retired 31/08/2008)

**Richard Bonython** Non-Executive Director

**Richard Hillis** Non-Executive Director

**Simon O'Loughlin** 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 mining geology and management. He held senior positions in the Shell Group of Companies and Burmine Limited before founding Minotaur in 1993 and is currently managing director of Minotaur Exploration Limited (ASX Listed). He is a board member of Mithril Resources Limited (ASX Listed) and Toro Energy Limited (ASX Listed); is former President and Vice President of the South Australian Chamber of Mines and Energy, former board member of the Australian Gold Council, and is a Member of the South Australian Resources Development board and the South Australian Minerals and Petroleum Experts Group and chairman of the Minerals Exploration Advisory Group. He was awarded AMEC's Prospector of the Year Award (jointly) in 2003 and is a Centenary Medalist.

**Terry Kallis**, BE (Elec) MBA (Managing Director)

Terry holds degrees in Electrical Engineering and a Masters in Business Administration. He has a very

successful and highly regarded career in the Australian Electricity Industry both as a consultant and senior executive. His role was primarily as chief financial officer and latterly as executive manager Network – ElectraNet SA. During his time at ETSA, he was intimately involved with major reforms implemented in the late 1990's. Those reforms included commercialisation, corporatisation, involvement in the new National Electricity Market (NEM) and the ETSA sale.

**Lloyd Taylor**, BSc (Hons), PhD, MAICD (Non-Executive Director)

Lloyd Taylor holds a doctorate in Geology and Geophysics from the University of Sydney. He has 30 years international oil exploration and production experience with Woodside Petroleum, Shell International, Santos and Fletcher Challenge Energy. In 2003 he retired as chairman and CEO of Shell New Zealand. During his career, he held general management and leadership responsibilities for oil and gas business operations in ten countries. He has been a company director for fifteen years. He is a former director of Visean Information Services Limited. Lloyd retired as a non-executive director of Petratherm Limited on the 31 August 2008.

**Richard Bonython**, B Ag Sc (Non-Executive Director)

Richard Bonython was a director of Minotaur Gold Limited for six years, Minotaur Resources Limited for 5 years and retired as chairman of Hindmarsh Resources Limited following the take over 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 Limited for over 15 years and has experience of over 40 years in the building, rural and mineral industries. He is a director of Mithril Resources Limited (ASX Listed) and Minotaur Exploration Limited (ASX Listed), and is a member of the Company's audit committee.

**Richard Hillis**, BSc, ARSM, PhD (Non-Executive Director)

Richard is the State of South Australia Professor of Petroleum Geology and Head of the Australian School of Petroleum at the University of Adelaide. His research expertise is in sedimentary basin tectonics and petroleum geomechanics with reference to their applications to petroleum and geothermal exploration and development and carbon dioxide geosequestration. He has undertaken approximately 40 consulting projects for oil companies, primarily in the area of petroleum geomechanics and has taught a professional short courses on the subject in internationally. Richard, who has authored or co-authored over 100 scientific papers and edited two books, heads a research Group at the University of Adelaide, which includes post-doctoral researchers and PhD students, researching basin tectonics and petroleum geomechanics.

**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. For many years he has practiced both in Sydney and Adelaide, in the corporate and commercial fields with, in more recent times, a particular focus on the resources sector. He also holds accounting qualifications. He is currently Chairman of Bondi Mining Limited and a director of Probiomics Limited, Chesser Resources Limited, Living Cell Technologies Limited, WCP Resources Limited and Aura Energy Limited. He has extensive experience and involvement with companies in the small industrial and resources sectors. He has also been involved in the listing and back-door listing of numerous companies on the ASX and National Stock Exchanges. He is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division). Mr O'Loughlin is also a member of the Audit Committee.

## Directors' report continued

### COMPANY SECRETARY

**Donald Stephens**, BA (Acc), FCA

Donald Stephens is a Chartered Accountant and corporate adviser with over 20 years experience in the accounting industry, including 14 years as a partner of HLB Mann Judd Stephens, a firm of Chartered Accountants. He is a non-executive director of Mithril Resources Limited and Papyrus Australia Limited and is company secretary to Mithril Resources Limited, Petratherm Limited, Ferraus Limited, Chesser Resources Limited and Innovance Limited all of which are listed on the ASX except Innovance Limited which is listed on the NSX. He holds other directorships with private companies and provides corporate advisory services to a wide range of organisations. 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
Derek Carter	1,266,250	-
Terry Kallis	119,230	1,400,000
Lloyd Taylor	-	-
Richard Bonython	1,106,440	-
Richard Hillis	120,000	200,000
Simon O'Loughlin	325,000	-

### DIVIDENDS

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

### PRINCIPAL ACTIVITIES

The principal activities of Group during the financial year were:

- to test hot rocks, specifically granitic and hydrothermal iron oxide systems, 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 (after accounting for minority interests) for the financial year after providing for income tax amounted to \$3,147,579 [2008: \$2,129,322].

### 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:

The Company expanded its Spanish project portfolio considerably during the year such that its Spanish activities are now a material and a key aspect of its business activities.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Petratherm and its Joint Venture partners receive first \$4.2 million of the \$7 million Geothermal Drilling Program grant from the Federal Department of Resources, Energy & Tourism.

Since the end of the financial year, 2,250,000 options have been exercised at a price of \$0.20 cents, raising a total of \$450,000.

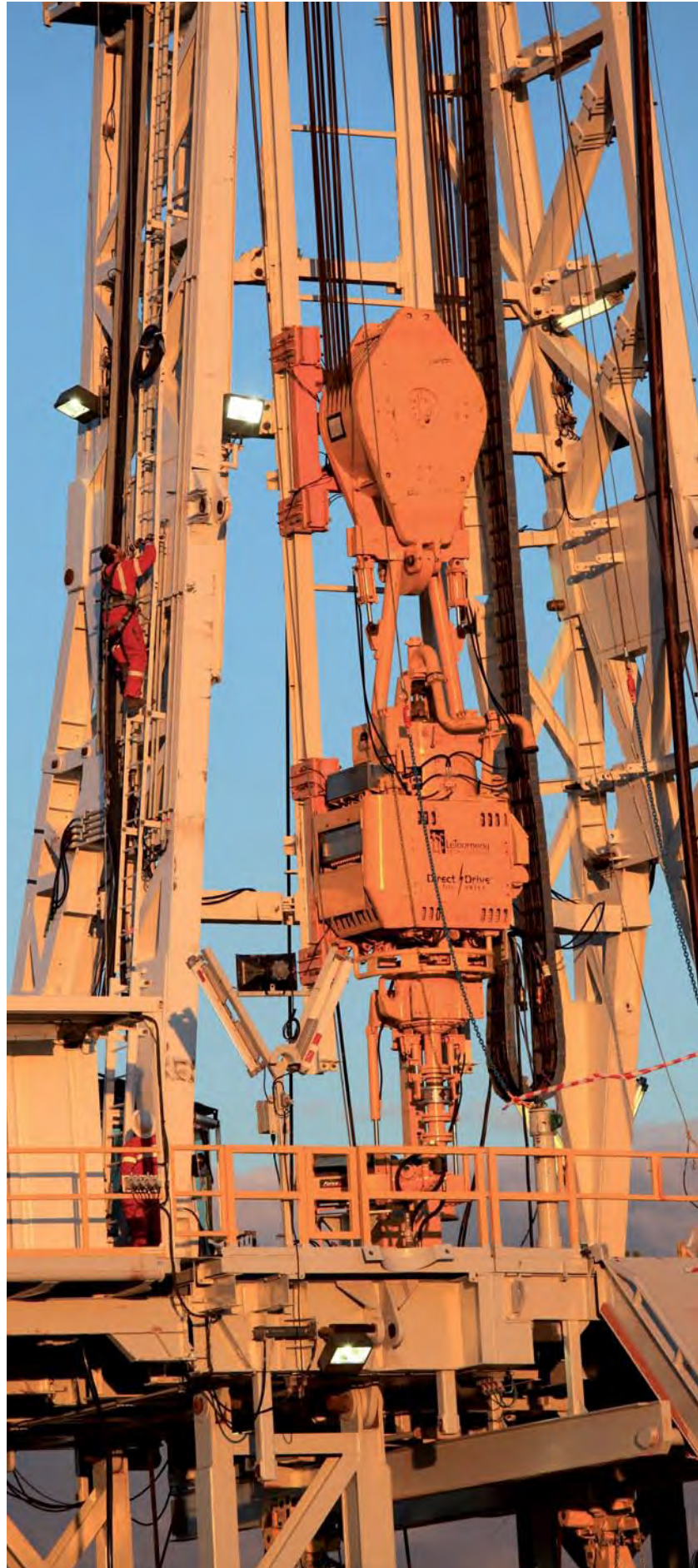
### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group intends to continue to undertake appropriate exploration and evaluation expenditure thereby enabling it to maintain good title to all its prospective geothermal properties until proper 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 Company.

## Directors' report continued

### 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 quite 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 continued

### SHARE OPTIONS

#### 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 2008	Net Issued/ (Exercised/ Other)	Balance at 30 June 2009
25/03/2004	24/03/2009	\$0.20	5,000,000	(5,000,000)	-
05/04/2004	04/04/2009	\$0.20	2,600,000	(2,600,000)	-
27/07/2004	26/07/2009	\$0.20	2,000,000	-	2,000,000
28/07/2004	27/07/2009	\$0.20	650,000	(400,000)	250,000
24/09/2004	23/09/2009	\$0.32	40,000	(40,000)	-
16/12/2004	15/12/2009	\$0.32	50,000	(50,000)	-
01/01/2006	31/12/2010	\$0.40	30,000	-	30,000
22/05/2006	21/05/2011	\$0.32	200,000	-	200,000
22/05/2006	21/05/2011	\$0.37	200,000	-	200,000
30/05/2006	29/05/2011	\$0.32	30,000	-	30,000
22/03/2007	21/03/2012	\$0.91	20,000	-	20,000
30/06/2006	30/04/2012	\$0.32	650,000	-	650,000
30/06/2006	30/04/2013	\$0.37	750,000	-	750,000
01/01/2007	01/01/2012	\$0.53	100,000	-	100,000
02/01/2007	01/01/2012	\$0.53	100,000	-	100,000
04/03/2007	04/03/2012	\$0.91	40,000	-	40,000
07/04/2007	06/04/2013	\$0.79	20,000	(20,000)	-
31/05/2007	31/05/2012	\$0.90	40,000	-	40,000
31/05/2007	31/05/2013	\$0.90	400,000	-	400,000
25/06/2007	25/06/2013	\$0.93	20,000	(20,000)	-
26/06/2007	25/06/2012	\$0.97	200,000	-	200,000
07/01/2008	06/01/2013	\$1.20	50,000	(30,000)	20,000
07/01/2008	06/01/2013	\$1.20	60,000	-	60,000
07/01/2008	06/01/2013	\$1.20	30,000	-	30,000
07/01/2008	06/01/2013	\$1.20	30,000	-	30,000
06/07/2008	05/07/2013	\$0.76	-	400,000	400,000
28/11/2008	27/11/2013	\$0.42	-	550,000	550,000
28/11/2008	27/11/2013	\$0.42	-	(100,000)	(100,000)
01/09/2008	31/08/2013	\$0.67	-	15,000	15,000
07/10/2008	06/10/2013	\$0.56	-	50,000	50,000
30/06/2009	29/06/2014	\$0.50	-	75,000	75,000
					6,140,000

\* Relates to options fortified during the year.

#### Shares issued as a result of the exercise of unlisted options

During the financial year 490,000 options were exercised under the Company ESOP at prices ranging from \$0.20 - \$0.32 cents raising \$108,800. A further \$1,520,000 was raised through directors and consultants exercising 7,600,000 options at \$0.20 cents.

Since the end of the financial year, 2,250,000 options have been exercised at a price of \$0.20 cents, raising a total of \$450,000.

## Directors' report continued

### New options issued

During the financial year 990,000 options were issued under the Company's ESOP to various employees.

### 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 \$28,686. 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,

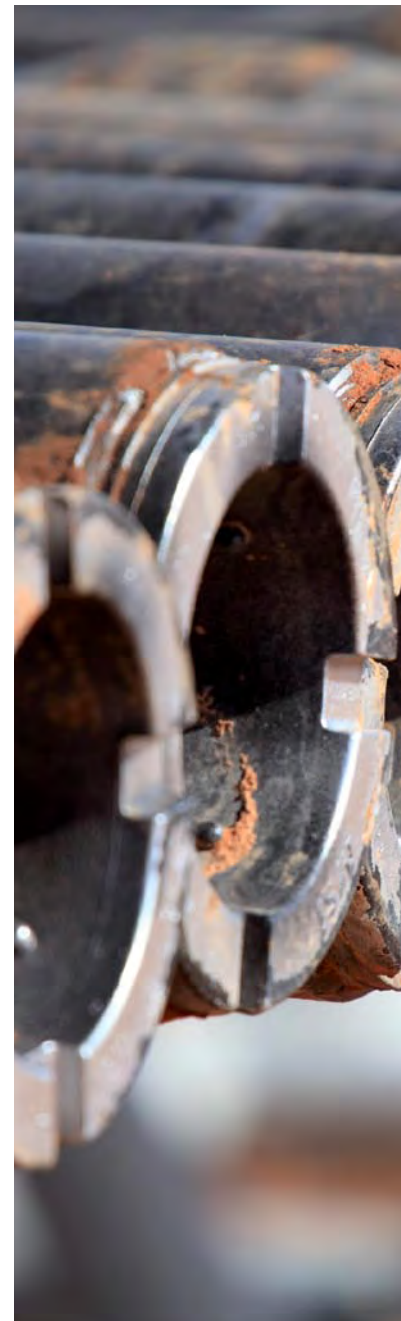
are formalised in a contract of employment. Mr Kallis commenced employment on 1 May 2006 and his base salary, inclusive of superannuation, is \$280,000 per annum. The Company may terminate the employment contract without cause by providing three (3) months written notice or making payment in lieu of 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 \$175,700 per annum. 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.

The employment conditions of the business development manager, Mr Jonathan Teubner, are formalised in a contract of employment. Mr Teubner commenced employment on 1 June 2007 and his base salary, inclusive of superannuation, is \$171,200 per annum. 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.

The employment conditions of the Paralana project manager, Mr John King, are formalised in a contract of employment. Mr King

commenced employment on 7 July 2008 and his base salary, inclusive of superannuation, is \$160,000 per annum. 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 continued

**Table 1: Directors' remuneration for the year ended 30 June 2008 & 2009**

	Short-term employee benefits	Post employment benefits	Share based payments	Total
	Salary & Fees	Superannuation	Options	
Derek Carter				
2009	50,000	4,500	-	<b>54,500</b>
2008	50,000	4,500	-	<b>54,500</b>
Terry Kallis				
2009	256,881	23,119	-	<b>280,000</b>
2008	275,230	24,771	-	<b>300,001</b>
Richard Bonython				
2009	47,688	-	-	<b>47,688</b>
2008	35,425	-	-	<b>35,425</b>
Simon O'Loughlin				
2009	35,000	3,150	-	<b>38,150</b>
2008	35,000	3,150	-	<b>38,150</b>
Lloyd Taylor				
2009	6,427	-	-	<b>6,427</b>
2008	-	38,150	-	<b>38,150</b>
Richard Hillis				
2009	35,000	3,150	-	<b>38,150</b>
2008	35,000	3,150	214,800	<b>252,950</b>

**Table 2: Remuneration of the named executives who receive the highest remuneration for the year ended 30 June 2008 & 2009**

	Short-term employee benefits	Post employment benefits	Share based payments	Total
	Salary & Fees	Superannuation	Options	
Peter Reid				
2009	161,193	14,507	19,500	<b>195,200</b>
2008	118,350	50,000	-	<b>168,350</b>
Jonathan Teubner				
2009	157,065	14,135	19,500	<b>190,700</b>
2008	152,062	13,539	63,334	<b>228,935</b>
John King				
2009	144,100	12,969	177,828	<b>334,897</b>
2008	-	-	-	<b>-</b>

HLB Mann Judd (SA) Pty Limited has received professional fees for accounting, taxation and secretarial services provided during the year amounting to \$147,464 (2008: \$95,322). Donald Stephens, the company secretary, is a consultant with HLB Mann Judd (SA) Pty Limited

Share-based payments remuneration relates to amortisation of fair value of options granted during the 2009 financial year.

## Directors' report continued

**Table 3: Options granted as part of remuneration**

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

	Grant date	Grant number	Vesting date	Exercise price	Value per option at grant date	Exercised number	Total Fair value	% of Remuneration
John King	07/07/08	400,000	07/07/09	0.76	0.452	-	177,828	52.84%
Peter Reid	28/11/08	100,000	-	0.42	0.195	-	19,500	9.90%
Jonathan Teubner	28/11/08	100,000	-	0.42	0.195	-	19,500	10.13%

Note: None of the above options granted to key management personnel have attached performance conditions in accordance with the current remuneration policy of the company.

**Table 4: Options holdings of Key Management Personnel**

30 June 2009	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
<b>Directors</b>								
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
Derek Carter	1,200,000	-	(1,200,000)	-	-	04/04/09	05/04/04	04/04/09
Richard Bonython	500,000	-	(500,000)	-	-	04/04/09	05/04/04	04/04/09
Lloyd Taylor	400,000	-	(400,000)	-	-	04/04/09	05/04/04	04/04/09
Richard Hillis	300,000	-	(300,000)	-	-	04/04/09	05/04/04	04/04/09
Richard Hillis	200,000	-	-	-	200,000	25/06/12	26/06/07	26/06/12
Simon O'Loughlin	200,000	-	(200,000)	-	-	04/04/09	05/04/04	04/04/09
<b>Executives</b>								
Donald Stephens	250,000	-	-	-	250,000	27/07/09	28/07/05	27/07/09
Peter Reid	400,000	-	(400,000)	-	-	27/07/09	28/07/05	27/07/09
Peter Reid	400,000	-	-	-	400,000	21/05/11	22/05/06	21/05/11
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
Jonathan Teubner	400,000	-	-	-	400,000	31/05/13	01/06/08	31/05/13
Jonathan Teubner	-	100,000	-	-	100,000	27/11/13	28/11/08	27/11/13
John King	-	400,000	-	-	400,000	06/07/13	07/07/09	06/07/13
	<b>5,750,000</b>	<b>600,000</b>	<b>(3,000,000)</b>	<b>-</b>	<b>3,350,000</b>			

## Directors' report continued

30 June 2008	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
<b>Directors</b>								
Terry Kallis	750,000	-	(100,000)	-	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
Derek Carter	1,200,000	-	-	-	1,200,000	04/04/09	05/04/04	04/04/09
Richard Bonython	500,000	-	-	-	500,000	04/04/09	05/04/04	04/04/09
Lloyd Taylor	400,000	-	-	-	400,000	04/04/09	05/04/04	04/04/09
Richard Hillis	300,000	-	-	-	300,000	04/04/09	05/04/04	04/04/09
Simon O'Loughlin	200,000	-	-	-	200,000	04/04/09	05/04/04	04/04/09
Richard Hillis	-	-	-	200,000	200,000	25/06/12	26/06/07	26/06/12
<b>Executives</b>								
Donald Stephens	250,000	-	-	-	250,000	27/07/09	28/07/05	27/07/09
Peter Reid	400,000	-	-	-	400,000	27/07/09	28/07/05	27/07/09
Peter Reid	400,000	-	-	-	400,000	21/05/11	22/05/06	21/05/11
Peter Reid	100,000	-	-	-	100,000	01/01/12	01/01/07	01/01/12
Jonathan Teubner	400,000	-	-	-	400,000	31/05/13	01/06/08	31/05/13
	<b>5,650,000</b>	<b>-</b>	<b>(100,000)</b>	<b>200,000</b>	<b>5,750,000</b>			

**Table 5: Shareholdings of Key Management Personnel**

30 June 2009	Balance at 1 July 08	On Exercise of Options	Net Change Other	Balance 30 June 09
<b>Directors</b>				
Terry Kallis	100,000	-	19,230	119,230
Derek Carter	66,250	1,200,000	-	1,266,250
Richard Bonython	532,500	500,000	73,940	1,106,440
Lloyd Taylor	300,000	400,000	(700,000)	-
Richard Hillis	20,000	300,000	(200,000)	120,000
Simon O'Loughlin	125,000	200,000	-	325,000
<b>Executives</b>				
Peter Reid	34,918	400,000	(45,688)	389,230
Jonathan Teubner	-	-	-	-
John King	-	-	-	-

## Directors' report continued

30 June 2008	Balance at 1 July 07	On Exercise of Options	Net Change Other	Balance 30 June 08
<b>Directors</b>				
Terry Kallis	-	100,000	-	100,000
Derek Carter	66,250	-	-	66,250
Richard Bonython	532,500	-	-	532,500
Lloyd Taylor	300,000	-	-	300,000
Richard Hillis	20,000	-	-	20,000
Simon O'Loughlin	125,000	-	-	125,000
<b>Executives</b>				
Peter Reid	34,918	-	-	34,918
Jonathan Teubner	-	-	-	-

### 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
<b>Number of meetings held</b>	12	2
<b>Number of meetings attended:</b>		
Derek Carter	12	-
Terry Kallis	12	-
Richard Bonython	11	2
Richard Hillis	12	-
Simon O'Loughlin	10	2
Lloyd Taylor **	1	-

\*\* Lloyd Taylor retired as a Director on the 31 August 2008 and was only eligible to attend one Directors meeting.

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 continued

### PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Grant Thornton South Australian Partnership, in its capacity as auditor for Petratherm Limited, has not provided any non-audit services throughout the reporting period. Details of the auditor's remuneration can be found in note 23 to the financial statements. The auditor's independence declaration for the year ended 30 June 2009 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 30 day of September 2009



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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 2009, 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  
South Australian Partnership  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "S J Gray", written over a light blue horizontal line.

S J Gray  
Partner

Signed at Wayville on this 30<sup>th</sup> day of September 2009

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## Corporate Governance Statement

### Introduction

The board of directors is responsible for the corporate governance of Petratherm Limited. 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 government 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.

### Principle 1: Lay solid foundations for management and oversight

#### board Responsibilities

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 responsibilities of 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.
- 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 Petratherm Limited expense, unless the board determines otherwise. The board schedules meetings on a regular basis and other meetings as and when required.

The board has not publicly disclosed a statement of matters reserved for the board, or the board charter and therefore the Group has not complied with recommendation 1.3 of the Corporate Governance Council. Given the skills and experience of each director the Group has not formulated a board charter.

### Principle 2: Structure the board to add value

#### Size and composition of the board

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

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

The board considers this to be an appropriate composition given the size and development of the Group at the present time. The names of directors including details of their qualifications and experience are set out in the Directors' Report of this Annual Report.

#### 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.

At the date of this statement the board consists of four non-executive directors, Mr D Carter, who is also chairman of the board, Mr R Bonython, Mr R Hillis, Mr S O'Loughlin and an executive director, Mr T Kallis. Mr Carter and Mr Bonython are directors of Minotaur Exploration Limited which is the beneficial holder of 22.18% of the issued capital of Petratherm Limited. The Group therefore has two independent directors as that relationship is currently defined.

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 considers the current structure to be an appropriate composition given the experience and skills of each director.

### Nomination, retirement and appointment of Directors

The board has not established a nomination committee and therefore the Group has not complied with recommendation 2.4 of the Corporate Governance Council. Given the size of the Group the board does not consider a separate committee appropriate. The board takes ultimate responsibility for these matters.

The composition/membership of the board is subject to review in a number of ways, as outlined below:

- The Company's constitution provides that at every Annual General Meeting, one third of the directors shall retire from office but may stand for re-election.

## Corporate Governance Statement continued

- board composition is also reviewed periodically either when a vacancy arises or if it is considered that the board would benefit from the services of a new director, given the existing mix of skills and experience of the board which should match the strategic demands of the Group. Once it has been agreed that a new director is to be appointed, a search would be undertaken, sometimes using the services of external consultants. Nominations are subsequently received and reviewed by the board.

### Evaluation of board performance

The board continues to review performance and identify ways to improve performance. The Chairman is responsible for reviewing the board performance on an Annual basis.

### Board Committee's

It is the role of the board to oversee the management of the Group and it may establish appropriate committees to assist in this role.

The board has established an audit, risk and compliance committee. At the present time no other committees have been established because of the size of the Group and the involvement of the board in the operations of the Group. The board takes ultimate responsibility for the operations of the Group including remuneration of Directors and executives and nominations to the board.

The board has not publicly disclosed the process for evaluating the performance of the board, its committees and individual directors. Therefore, the Group has not complied with recommendation 2.5 of the Corporate Governance Council. Given the size of the Group and board, does not consider disclosure of the performance evaluation process necessary. The board takes ultimate responsibility for these matters.

### Principle 3: Promote ethical and responsible decision making

#### 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. Petratherm intends to maintain a reputation for integrity. The Group's officers and employees are required to act in accordance with the law and with the highest ethical standards. The board has adopted a formal code of conduct applying to the board and all Employees. However, the Group not publicly disclosed the code of conduct and therefore has not complied with recommendation 3.1 of the Corporate Governance Council. Given the size of the Group, the board does not consider disclosure of the code of conduct to be necessary. The board takes ultimate responsibility for these matters.

#### Securities Trading Policy

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 Stock Exchange; and
- The Annual General Meeting.

Directors must advise the chairman of the board before buying or selling securities in the Company. 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 Group advises the Exchange of any transaction conducted by directors in securities in the Company.

The Group has not established and publicly disclosed a policy concerning trading in company securities by directors, senior executives and employees and therefore has not

complied with recommendation 3.2 of the Corporate Governance Council. Given the size of the Group and board, does not consider establishment or disclosure of a trading policy to be appropriate. The board takes ultimate responsibility for these matters.

### Principle 4: Safeguard integrity in financial reporting

The Group aims to structure 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;
- A process to ensure the independence and competence of the company's external auditors.

#### Audit Committee

The audit, risk and compliance committee comprises Mr S O'Loughlin who is the non-executive director and independent of senior management and operating executives of the Group, Mr R Bonython a non-executive director and Mr Donald Stephens a 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 has not complied with recommendation 4.2 of the Corporate

## Corporate Governance Statement continued

Governance Council. Due to the size of the board it is not possible to meet the recommendation of having at least three directors as members, the majority of which are independent.

Given the relative skills and experience of the members of the audit committee the board has not documented a formal committee charter and therefore has not complied with recommendation 4.3 of the Corporate Governance Council.

The board continues to monitor the composition of the committee and the roles and responsibilities of the members.

### **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.

The Group has not publicly disclosed a formal disclosure policy and therefore has not complied with recommendation 5.1 of the Corporate Governance Council. Given the size of the Group, the board does not consider a public disclosure policy to be appropriate. The board takes ultimate responsibility for these matters.

### **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.

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 company's web site [www.petratherm.com.au](http://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 designed or publicly disclosed a communications policy and therefore has not complied with recommendation 6.1 of the Corporate Governance Council. Given the size of the Group, the board does not consider disclosure of a communications policy to be appropriate. The board takes ultimate responsibility for these matters.

### **Principle 7: Recognise and manage risk**

The board has identified the significant areas of potential business and legal risk of Petratherm. The identification, monitoring and, where appropriate, the reduction of significant risk to Petratherm is the responsibility of the Managing Director and the board. The board has also established the audit, risk and compliance committee which addresses the risk 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.

### **Managing Director and Company Secretary declaration to the Board of Directors**

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 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. The Group has not established or publicly disclosed a policy for the oversight and management of material business risks and therefore has not complied with recommendation 7.1 of the Corporate Governance Council. Given the size of the Group, the board does not consider establishment or disclosure of a risk management policy to be appropriate. The board takes ultimate responsibility for these matters.

### **Principle 8: Remunerate fairly and responsibly**

The Chairman and the non-executive Directors are entitled to draw Directors 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 Company's shareholders. Please refer to the remuneration report within this directors report for details regarding the remuneration structure of the executive director, non-executive directors and senior management.

The board has not established a remuneration committee or disclosed a remuneration committee charter and therefore the Group has not complied with recommendation 8.1 and 8.3 respectively of the Corporate Governance Council. Given the size of the Group the board does not consider a separate committee appropriate. The board takes ultimate responsibility for these matters.

## Income Statement FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	<b>4 (a)</b>	185,296	428,632	180,592	428,433
Impairment of non-current assets	<b>4 (b)</b>	(1,053,078)	-	(1,172,455)	(319,496)
Employee benefits expense	<b>4 (c)</b>	(1,219,667)	(1,269,206)	(1,219,667)	(1,269,206)
Depreciation expense	<b>4 (b)</b>	(61,905)	(30,257)	(51,575)	(30,257)
Other expenses	<b>4 (d)</b>	(1,362,069)	(1,250,235)	(953,643)	(937,644)
<b>Loss before income tax expense</b>		<b>(3,511,423)</b>	<b>(2,121,066)</b>	<b>(3,216,748)</b>	<b>(2,128,170)</b>
Income tax (expense)/benefit	<b>5</b>	363,844	(8,256)	(108,710)	(8,254)
<b>Loss for the year</b>		<b>(3,147,579)</b>	<b>(2,129,322)</b>	<b>(3,325,458)</b>	<b>(2,136,425)</b>
<b>Loss attributable to minority interest</b>	<b>20</b>	-	-	-	-
<b>Loss attributable to members of the parent entity</b>		<b>(3,147,579)</b>	<b>(2,129,322)</b>	<b>(3,325,458)</b>	<b>(2,136,425)</b>
<b>Earnings per share:</b>					
Basic earnings per share	<b>6</b>		Cents (5.01)	Cents (2.77)	
Diluted earnings per share	<b>6</b>		(5.01)	(2.77)	

*The accompanying notes form part of these financial statements*

## Balance Sheet

### AS AT 30 JUNE 2009

	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	13,002,052	4,587,015	9,932,644	4,264,357
Trade and other receivables	8	2,317,699	283,589	5,724,960	5,484,019
Other current assets	9	59,944	46,457	45,271	33,626
<b>TOTAL CURRENT ASSETS</b>		15,379,695	4,917,061	15,702,875	9,782,002
<b>NON-CURRENT ASSETS</b>					
Financial assets	10	-	-	304,590	304,590
Property, plant and equipment	11	191,356	135,425	175,437	110,939
Exploration and evaluation assets	12	5,549,372	5,301,400	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		5,740,728	5,436,825	480,027	415,529
<b>TOTAL ASSETS</b>		21,120,423	10,353,886	16,182,902	10,197,531
<b>CURRENT LIABILITIES</b>					
Trade and other payables	14	4,522,141	291,711	268,231	135,356
Deferred Income		683,611	-	-	-
Borrowings	15	6,032	-	6,032	-
Short term provisions	16	88,840	121,000	88,840	121,000
Government grants		-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>		5,300,624	412,711	363,103	256,356
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	15	33,783	-	33,783	-
Long term provisions	16	74,133	9,529	74,133	9,529
<b>TOTAL NON-CURRENT LIABILITIES</b>		107,916	9,529	107,916	9,529
<b>TOTAL LIABILITIES</b>		5,408,540	422,240	471,019	265,885
<b>NET ASSETS</b>		15,711,883	9,931,646	15,711,883	9,931,646
<b>EQUITY</b>					
Issued capital	17	23,048,738	14,228,516	23,048,738	14,228,516
Reserves	18	628,851	580,316	814,148	587,735
Retained earnings	19	(7,965,706)	(4,877,186)	(8,151,003)	(4,884,605)
<b>Parent interests</b>		15,711,883	9,931,646	15,711,883	9,931,646
<b>Minority interests</b>	20	-	-	-	-
<b>TOTAL EQUITY</b>		15,711,883	9,931,646	15,711,883	9,931,646

*The accompanying notes form part of these financial statements*

## Statement of Changes in Equity FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated				Company			
	Issued Capital \$	Retained Earnings \$	Reserves \$	Total \$	Issued Capital \$	Retained Earnings \$	Reserves \$	Total \$
<b>Balance at 1 July 2007</b>	14,184,561	(2,747,864)	160,490	11,597,187	14,184,561	(2,748,181)	160,807	11,597,187
Profit attributable to members of the Company	-	(2,129,322)	-	(2,129,322)	-	(2,136,424)	-	(2,136,424)
Issue of share options under employee share option plan	-	-	431,828	431,828	-	-	431,828	431,828
Exercise of options under employee share options plan	32,000	-	-	32,000	32,000	-	-	32,000
Transaction costs (net of tax)	(1,200)	-	-	(1,200)	(1,200)	-	-	(1,200)
Tax portion of IPO costs	8,255	-	-	8,255	8,255	-	-	8,255
Transfer from employee equity-settled benefits reserve upon exercise	4,900	-	(4,900)	-	4,900	-	(4,900)	-
Foreign exchange translations	-	-	(7,102)	(7,102)	-	-	-	-
<b>Balance at 30 June 2008</b>	14,228,516	(4,877,186)	580,316	9,931,646	14,228,516	(4,884,605)	587,735	9,931,646
<b>Balance at 1 July 2008</b>	14,228,516	(4,877,186)	580,316	9,931,646	14,228,516	(4,884,605)	587,735	9,931,646
Profit attributable to members of the parent entity	-	(3,147,579)	-	(3,147,579)	-	(3,325,458)	-	(3,325,458)
Issued pursuant to share purchase plan	4,319,500	-	-	4,319,500	4,319,500	-	-	4,319,500
Shares issued via placement	3,083,600	-	-	3,083,600	3,083,600	-	-	3,083,600
Issue of share options under employee share option plan	-	-	327,453	327,453	-	-	327,453	327,453
Exercise of options at various dates	1,628,800	-	-	1,628,800	1,628,800	-	-	1,628,800
Transaction costs (net of tax)	(362,368)	-	-	(362,368)	(362,368)	-	-	(362,368)
Tax portion of IPO costs	108,710	-	-	108,710	108,710	-	-	108,710
Transfer from employee equity-settled benefits reserve upon cancellation of vested options	-	59,060	(59,060)	-	-	59,060	(59,060)	-
Foreign exchange translations	-	-	(177,878)	(177,878)	-	-	-	-
Transfer from employee equity-settled benefits reserve upon exercise of vested options	41,980	-	(41,980)	-	41,980	-	(41,980)	-
<b>Balance at 30 June 2009</b>	23,048,738	(7,965,706)	628,851	15,711,883	23,048,738	(8,151,003)	814,148	15,711,883

The accompanying notes form part of these financial statements

## Cash Flow Statement FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payments to suppliers and employees		(2,105,484)	(2,278,211)	(1,975,865)	(1,566,737)
Interest received		186,725	431,081	182,021	430,882
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>7</b>	<b>(1,918,759)</b>	<b>(1,847,130)</b>	<b>(1,793,844)</b>	<b>(1,135,855)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(117,836)	(105,123)	(116,073)	(75,730)
Loans to wholly- owned subsidiary		-	-	(1,266,328)	(2,616,031)
REDI Grant proceeds		707,575	60,441	-	-
Joint Venture receipts		6,855,458	635,367	-	-
Payments for exploration activities		(5,955,933)	(2,381,323)	-	-
Government exploration related grants		175,000	-	175,000	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>1,664,264</b>	<b>(1,790,638)</b>	<b>(1,207,401)</b>	<b>(2,691,761)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		9,031,900	36,900	9,031,900	36,900
Transaction costs of issue of shares		(362,368)	(1,200)	(362,368)	(1,200)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>8,669,532</b>	<b>35,700</b>	<b>8,669,532</b>	<b>35,700</b>
Net increase/(decrease) in cash and cash equivalents		8,415,037	(3,602,068)	5,668,287	(3,791,916)
Cash at the beginning of the year		4,587,015	8,189,083	4,264,357	8,056,273
<b>CASH AT THE END OF THE YEAR</b>	<b>7</b>	<b>13,002,052</b>	<b>4,587,015</b>	<b>9,932,644</b>	<b>4,264,357</b>

*The accompanying notes form part of these financial statements*

## Notes to the Financial Statements

### For the year ended 30 June 2009

#### 1. CORPORATE INFORMATION

The financial report of Petratherm Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 30 September 2009. 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'), and the separate financial statements and notes of Petratherm Limited as an individual parent entity ('Company').

##### 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.

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.

##### a. Principles of consolidation

The consolidated financial statements comprise the financial statements of Petratherm Limited and its subsidiaries as at 30 June each year (the Group).

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 24 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:

Rendering of services  
Revenue from the rendering of services is recognised upon the delivery of services to customers.

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

##### Interest income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial asset.

##### 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.

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

##### d. Finance costs

Finance costs are recognised as an expense when incurred.

##### e. Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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 Cash Flow Statement, 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.

## Notes to the Financial Statements

### For the year ended 30 June 2009

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

##### *Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### *Financial liabilities*

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

##### *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*

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 prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

#### 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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 balance sheet 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 sheet 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 2008. The Australian Taxation Office has not yet been notified of any decision.

## Notes to the Financial Statements

### For the year ended 30 June 2009

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:

- 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 balance sheet.

Cash flows are included in the cash flow statement 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 straight-line basis on all plant and equipment.

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

Plant and equipment 10 – 40%

#### *Impairment*

The carrying values of plant and equipment are 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.

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

## Notes to the Financial Statements

### For the year ended 30 June 2009

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.

#### **i. 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.

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 an undiscounted 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 income statement 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 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 income statement.

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 income statement on a straight-line basis over the lease term.

## Notes to the Financial Statements

### For the year ended 30 June 2009

#### 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 income statement, together with a corresponding increase in the share option reserve, when the options are issued.

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 2008 and 2009.

#### 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 Income Statement.

##### *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 Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet
- income and expenses for each Income Statement 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 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

## Notes to the Financial Statements

### For the year ended 30 June 2009

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 28.

#### u. New accounting standards and interpretations

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The following standards and amendments are available for early adoption but have not been applied by the Group in these financial statements:

*AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or*

*Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009).*

These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no

longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;

- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

*AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009).*

AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is

the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result.

*AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009).*

The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If a group has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

*AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009).*

The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

## Notes to the Financial Statements

### For the year ended 30 June 2009

*AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009).*

This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

*AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project.*

No changes are expected to materially affect the Group.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

#### v. 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 income statement. Refer to note 12 for further details and a reconciliation of the capitalised expenditure written off during the year.



**Notes to the Financial Statements**

For the year ended 30 June 2009

**3. SEGMENT INFORMATION****Industry & Geographical Segment**

The Group operates in the geothermal exploration sector in Australia and Spain.

	Australia	Spain	Total	Inter-segment eliminations/unallocated	Consolidated
2009	\$	\$	\$	\$	\$
<b>Revenue</b>					
Interest income					185,296
Total consolidated revenue					185,296
<b>Result</b>					
Segment result	(3,645,705)	(51,014)	(3,696,719)	-	(3,696,719)
Net income					185,296
Loss before income tax expense					(3,511,423)
Income tax expense					363,844
Minority interest					
Net loss after tax					(3,147,579)
<b>2008</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>					
Interest income					428,632
Total consolidated revenue					428,632
<b>Result</b>					
Segment result	(2,472,597)	(77,102)	(2,549,699)	-	(2,549,699)
Net interest income					428,632
Loss before income tax benefit					(2,121,067)
Income tax benefit					(8,256)
Net loss after tax					(2,129,323)
<b>2009</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets and liabilities</b>					
Segment assets	19,200,550	1,919,873	21,120,423	-	21,120,423
Iner-segment assets	2,190,466	-	2,190,466	(2,190,466)	-
Unallocated assets					
Total assets					21,120,423
Segment liabilities	5,362,392	46,148	5,408,540	-	5,408,540
Inter-segment liabilities	-	2,190,466	2,190,466	(2,190,466)	-
Unallocated liabilities					-
Total liabilities					5,408,540
<b>Other segment information</b>					
Acquisition of property, plant and equipment	117,836	-	117,836	-	117,836
Depreciation expense	51,575	10,330	61,905	-	61,905
<b>2008</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets and liabilities</b>					
Segment assets	9,445,919	907,967	10,353,886	-	10,353,886
Iner-segment assets	1,007,835	-	1,007,835	(1,007,835)	-
Unallocated assets					-
Total assets					10,353,886
Segment liabilities	414,943	7,297	422,240	-	422,240
Inter-segment liabilities		1,007,835	1,007,835	(1,007,835)	-
Unallocated liabilities					-
Total liabilities					422,240
<b>Other segment information</b>					
Acquisition of property, plant and equipment	78,498	-	78,498	-	78,498
Depreciation expense	30,257	-	30,257	-	30,257

## Notes to the Financial Statements

### For the year ended 30 June 2009

#### 4. REVENUE AND EXPENSES

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(a) Revenue and other income</b>				
Bank interest received or receivable	185,296	428,632	180,592	428,433
	185,296	428,632	180,592	428,433
<b>(b) Expenses</b>				
<i>Impairment of non-current assets</i>				
Capitalised tenement costs written off	1,053,078	-	-	-
Inter-company loan	-	-	1,172,455	319,496
Total impairment of non-current assets	1,053,078	-	1,172,455	319,496
<i>Depreciation of non-current assets</i>				
Plant and equipment	61,905	30,257	51,575	30,257
Total depreciation	61,905	30,257	51,575	30,257
<b>(c) Employees benefits expense</b>				
Wages, salaries, directors fees and other remuneration expenses	754,906	710,223	754,906	710,223
Superannuation	113,718	90,041	113,718	90,041
Transfer to/(from) annual leave provision	12,562	21,713	12,562	21,713
Transfer to/(from) long service leave provision	11,028	15,401	11,028	15,401
Share-based payments expense	327,453	431,828	327,453	431,828
	1,219,667	1,269,206	1,219,667	1,269,206
<b>(d) Other expenses from ordinary activities</b>				
Secretarial, professional and consultancy	205,334	178,613	185,334	178,613
Travel expenses	141,293	65,131	76,293	65,122
Recruitment expenses	28,351	69,277	28,351	69,277
Promotion and advertising	134,754	102,671	134,754	102,671
Occupancy costs	75,471	61,891	75,471	61,891
Share register maintenance	46,766	27,242	46,766	27,242
Insurance costs	48,237	41,079	48,237	34,676
Payroll tax	46,766	45,692	46,766	45,692
Conference & seminars	14,952	18,018	14,952	18,018
Entertainment	31,179	44,023	31,179	44,023
AGM expenses	30,560	55,383	30,560	55,383
Audit fees	28,000	27,000	28,000	24,000
Listing fees	19,420	19,089	19,420	18,877
Subscriptions and publications	62,383	53,787	62,383	53,787
Legal fees	32,670	8,839	32,670	8,839
ASX	7,249	8,008	7,249	8,008
Bank Charges	6,210	5,493	6,210	4,397
Communication & computer expenses	29,018	40,616	21,018	40,616
Office expenses	113,588	38,521	43,588	38,521
Other expenses	259,868	339,862	14,442	37,991
	1,362,069	1,250,235	953,643	937,644

## Notes to the Financial Statements

### For the year ended 30 June 2009

#### 5. INCOME TAX

	Company			
	2009 \$	2008 \$	2009 \$	2008 \$
Accounting loss before income tax	(3,511,423)	(2,121,067)	(3,216,748)	(2,128,170)
At the Group's statutory income tax rate of 30% (2008: 30%)	(1,053,427)	(636,320)	(965,024)	(638,451)
Expenditure not allowable for income tax purposes	421,035	142,591	105,461	238,439
Other deductible items	(107,504)	(566,692)	(57,655)	(57,655)
R&D Tax Offset	(472,554)	-	-	-
Deferred tax Asset not realised as recognition criteria of AASB 112 not met	848,606	1,068,676	1,025,928	465,921
Tax portion of IPO costs written off	(363,844)	8,255	108,710	8,254

The Group has tax losses arising in Australia of \$9,329,688 (2008: \$8,085,546) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

#### Income Tax Losses

Deferred Tax Asset (DTA) arising from tax losses not recognised at reporting date as realisation of the benefit is not regarded as probable.

Timing Difference at 30%	(1,408,520)	(1,317,014)	136,624	153,737
Tax losses in Australia at 30%	2,798,907	2,425,664	1,302,694	399,349
	1,390,387	1,108,650	1,439,317	553,086

This (DTA) will only be obtained if

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; and
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- No changes in tax legislation adversely affect the Group in realising the benefit.

#### Tax consolidation

Petratherm Limited and its wholly-owned Australian controlled entity (MNGI Pty Limited) 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 1(h), together with the impact on the income tax expense for the year.

#### 6. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit 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 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.



**Notes to the Financial Statements**  
**For the year ended 30 June 2009**

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

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Net loss attributable to ordinary equity holders of the parent	(3,147,579)	(2,129,322)
	<b>2009</b>	<b>2008</b>
Weighted average number of ordinary shares for basic earnings per share	62,859,755	57,871,074
Effect of dilution	N/A	N/A
Weighted average number of ordinary shares adjusted for the effect of dilution	62,859,755	57,871,074

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 taking into account in 2008 and 2009.

Since the end of the financial year, 2,250,000 options have been exercised at a price of \$0.20 cents, raising a total of \$450,000. The impact of these shares have not been taken into account in the above calculation.

**7. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	12,854,602	1,454,565	9,785,194	1,131,907
Short-term deposits	147,450	3,132,450	147,450	3,132,450
	13,002,052	4,587,015	9,932,644	4,264,357

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 2009

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Reconciliation to Cash Flow Statement</b>				
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:				
Cash at banks and in hand	12,854,602	1,454,565	9,785,194	1,131,907
Short-term deposits	147,450	3,132,450	147,450	3,132,450
	13,002,052	4,587,015	9,932,644	4,264,357
<b>Reconciliation of net profit after tax to net cash flows from operations</b>				
Net loss	(3,147,579)	(2,129,322)	(3,325,458)	(2,136,424)
Adjustments for non-cash items:				
Depreciation	61,905	30,257	51,575	30,257
Impairment of non-current assets and held-for-sale assets	1,053,078	-	1,172,455	319,496
Non cash income tax expense	108,710	8,255	108,710	8,255
Grants classified as an investing activity	(175,000)	-	(175,000)	-
Share options expensed	327,453	431,828	327,453	431,828
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	(94,941)	(225,358)	(101,827)	(531)
(Increase)/decrease in prepayments	(15,249)	(25,086)	(15,249)	-
(Decrease)/increase in trade and other payables	(41,875)	31,532	160,029	78,779
(Decrease)/increase in employee entitlements	32,445	30,764	32,444	130,529
(Decrease)/increase in net goods and service tax receivable	(27,706)	-	(28,976)	1,956
Net cash from operating activities	(1,918,759)	(1,847,130)	(1,793,844)	(1,135,855)
<b>8. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables (i)	107,984	173,418	118,622	531
Goods & Services Tax receivable	77,454	110,171	51,419	22,444
JV Contributions receivable	2,132,261	-	-	-
Related party receivables: (ii)				
Controlled entities	-	-	8,882,293	7,615,964
Less: Provision for Impairment	-	-	(3,327,374)	(2,154,919)
	2,317,699	283,589	5,724,960	5,484,020

- 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 2008 or 2009 and no receivables are past due at balance date.
- ii). Loans to wholly-owned subsidiaries are at call loans, with no fixed repayment schedule and are non-interest bearing.



## Notes to the Financial Statements

### For the year ended 30 June 2009

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>9. OTHER CURRENT ASSETS</b>				
Prepayments	58,964	44,048	44,291	31,217
Accrued income	980	2,409	980	2,409
	59,944	46,457	45,271	33,626

## 10. FINANCIAL ASSETS

At cost:

Shares in controlled entity (MNGI Pty Ltd)	-	-	300,000	300,000
Shares in controlled entity (Petratherm Espana SL)	-	-	4,590	4,590
	-	-	304,590	304,590

## 11. PROPERTY, PLANT AND EQUIPMENT

### Plant and equipment

Cost

Balance at 1 July	187,399	108,901	167,821	-
Additions	117,836	78,498	116,073	-
Transfer of assets	-	-	-	167,821
Balance at 30 June	305,235	187,399	283,894	167,821

Accumulated Depreciation

Balance at 1 July	51,974	21,717	56,882	-
Depreciation for the year	61,905	30,257	51,575	-
Transfer of assets	-	-	-	56,882
Balance at 30 June	113,879	51,974	108,457	56,882

Total net book value as at 30 June	191,356	135,425	175,437	110,939
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### Impairment of property, plant and equipment

No material impairment loss was recognised or reversed for the year ended 30 June 2008 and 2009 with respect to plant and equipment.

The depreciation rate of the assets was estimated as follows both for 2008 and 2009:

Plant and equipment 10 – 40%.

## 12. EXPLORATION AND EVALUATION ASSETS

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Exploration and evaluation costs carried forward in respect of Geothermal areas of interest				
Exploration and evaluation phases	5,549,372	5,301,400	-	-
	5,549,372	5,301,400	-	-

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 2009

Consolidated entity	Total
<i>Capitalised tenement expenditure movement reconciliation</i>	
Balance at the beginning of the year	5,301,400
Additions through expenditure capitalised	1,301,050
Write off of tenements relinquished	(1,053,078)
Balance at end of year	<u>5,549,372</u>

The impairment expense of \$1,053,078 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.

### 13. 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.

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



## Notes to the Financial Statements

### For the year ended 30 June 2009

The expense recognised in the income statement 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:

	2009 No.	2009 WAEP	2008 No.	2008 WAEP
Outstanding at the beginning of the year	1,800,000	0.60	1,630,000	0.52
Granted during the year	1,150,000	0.62	170,000	0.79
Forfeited during the year	(170,000)	0.44	-	-
Exercised during the year	(490,000)	0.22	-	-
Outstanding at the end of the year	2,290,000	0.63	1,800,000	0.60
Exercisable at the end of the year	2,290,000	0.63	1,800,000	0.60

The outstanding balance as at 30 June 2009 is represented by:

- A total of 30,000 options exercisable any time until 31 December 2010 with a strike price of \$0.40
- A total of 200,000 options exercisable any time until 21 May 2011 with a strike price of \$0.32
- A total of 200,000 options exercisable any time until 21 May 2011 with a strike price of \$0.37
- A total of 30,000 options exercisable any time until 29 May 2011 with a strike price of \$0.32
- A total of 200,000 options exercisable any time until 1 January 2012 with a strike price of \$0.53
- A total of 40,000 options exercisable any time until 4 March 2012 with a strike price of \$0.91
- A total of 20,000 options exercisable any time until 21 March 2012 with a strike price of \$0.91
- A total of 440,000 options exercisable any time until 31 May 2012 with a strike price of \$0.90
- A total of 50,000 options exercisable any time until 7 January 2013 with a strike price of \$1.20
- A total of 60,000 options exercisable any time until 7 January 2013 with a strike price of \$1.20
- A total of 450,000 options exercisable any time until 27 November 2013 with a strike price of \$0.42
- A total of 400,000 options exercisable any time until 27 July 2013 with a strike price of \$0.76
- A total of 15,000 options exercisable any time until 31 August 2013 with a strike price of \$0.67
- A total of 50,000 options exercisable any time until 6 October 2013 with a strike price of \$0.56
- A total of 75,000 options exercisable any time until 30 June 2014 with a strike price of \$0.50.

#### Contractual life of options

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 3.30 (2008: 3.22 years).

#### Exercise price of options

The range of exercise prices for options outstanding at the end of the year was \$0.32-\$1.20 (2008: \$0.20-\$1.20).

#### Fair value of options

The weighted average fair value of options granted during the year was \$0.57 (2008: \$0.85)

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 2008 and 30 June 2009:

	2009	2008
Historical volatility (%)	82.10%	69.78%
Risk-free interest rate (%)	5.21%	6.35%
Expected life of option (years)	5	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.

## Notes to the Financial Statements

### For the year ended 30 June 2009

#### 14. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade payables (i)	295,397	291,711	268,231	135,356
Joint Venture Contributions	4,226,744	-	-	-
	4,522,141	291,711	268,231	135,356

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

#### 15. BORROWINGS

##### Current

Hire purchase contracts	6,032	-	6,032	-
	6,032	-	6,032	-

##### Non-current

Hire purchase contracts	33,783	-	33,783	-
	33,783	-	33,783	-

#### 16. PROVISIONS

##### Current

Annual leave provision				
Balance at 1 July	121,000	52,061	-	-
Transfer to/ (from) provision	(32,160)	68,939	88,840	121,000
Closing Balance 30 June	88,840	121,000	88,840	121,000

##### Non-current

Long Service Leave:				
Balance at 1 July	9,529	47,704	-	-
Transfer to/ (from) provision	64,604	(38,175)	74,133	9,529
Closing Balance 30 June	74,133	9,529	74,133	9,529

##### *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 1(o) 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

#### 17. ISSUED CAPITAL

92,213,673 fully paid ordinary shares	23,048,738	14,228,516	23,048,738	14,228,516
(2008: 57,874,626)	23,048,738	14,228,516	23,048,738	14,228,516



## Notes to the Financial Statements

### For the year ended 30 June 2009

	2009		2008	
	Number	\$	Number	\$
Balance at beginning of financial year	57,874,626	14,228,516	57,774,626	14,184,561
Issued pursuant to share purchase plan @ 26 cents per share	16,612,797	4,319,500		
Shares issued via placement @ 32 cents per share	9,636,250	3,083,600		
Issue of shares for cash on exercise of share options @ various prices	8,090,000	1,628,800	100,000	32,000
Transaction costs on share issue	-	(362,368)	-	(1,200)
Tax portion of IPO costs	-	108,710	-	8,255
Transfer from share option reserve	-	41,980	-	4,900
Balance at end of financial year	92,213,673	23,048,738	57,874,626	14,228,516

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

## 18. RESERVES

### Share option reserve

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

### 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 1(w).

### Reserves

Foreign currency translation	(185,298)	(7,419)	-	-
Share option reserve	814,149	587,735	814,148	587,735
	628,851	580,316	814,148	587,735

### Foreign currency translation

Balance at beginning of financial year	(7,419)	(317)	-	-
Foreign exchange translations	(177,879)	(7,102)	-	-
Balance at end of financial year	(185,298)	(7,419)	-	-

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Share option reserve				
Balance at beginning of financial year	587,735	160,807	587,735	160,807
Transfer from employee equity-settled benefits reserve upon cancellation of vested options	(59,060)	-	(59,060)	-
Issued to employees and officer under Employee Share Option Plan	327,454	431,828	327,453	431,828
Transfer to share capital upon conversion of options	(41,980)	(4,900)	(41,980)	(4,900)
Balance at end of financial year	814,149	587,735	814,148	587,735

## Notes to the Financial Statements

### For the year ended 30 June 2009

#### 19. RETAINED EARNINGS

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Balance at beginning of financial year	(4,877,186)	(2,747,864)	(4,884,605)	(2,748,181)
Net profit attributable to members of the parent entity	(3,147,579)	(2,129,322)	(3,325,458)	(2,136,425)
Transfer from employee equity-settled benefits reserve upon cancellation of vested options	59,060	-	59,060	-
Balance at end of financial year	(7,965,706)	(4,877,186)	(8,151,003)	(4,884,606)

#### 20. MINORITY INTEREST

Contributed capital	344	344	-	-
Opening share of losses	(344)	(344)	-	-
Share of loss	-	-	-	-
Balance at end of financial year	-	-	-	-

#### 21. COMMITMENTS FOR EXPENDITURE

<u>Operating leases</u>				
Not longer than 1 year	112,548	70,268	112,548	70,268
Longer than 1 year and not longer than 5 years	493,925	19,403	493,925	19,403
Longer than 5 years				
	606,473	89,671	606,473	89,671
<u>Hire purchase commitments</u>				
Not longer than 1 year	9,159	-	9,159	-
Longer than 1 year and not longer than 5 years	27,477	-	27,477	-
Longer than 5 years	-	-	-	-
	36,636	-	36,636	-

#### 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.

#### Hire purchase arrangements

Future minimum lease payments under hire purchase contracts together with the present value of the net minimum payments are listed above in the above table.

#### Exploration leases

In order to maintain current rights of tenure to exploration tenements the Group will be required to outlay in the period 1 July 2009 to 30 September 2010 amounts of approximately \$10,234,266 and non current amounts of \$4,987,366 net of joint venture contributions received pursuant to various joint venture agreements in respect of tenement lease rentals and to meet minimum expenditure requirements.

#### 22. 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 established various bank guarantees in place with a number of State Governments in Australia, totalling \$147,450 at 30 June 2009. 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 on. It is noted that the bank guarantees have as at the date of signing this report never been utilised by any State Government.

## Notes to the Financial Statements

### For the year ended 30 June 2009

#### 23. AUDITOR'S REMUNERATION

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Audit or review of financial report	28,000	27,000	28,000	24,000
	28,000	27,000	28,000	24,000

No other services have been provided

#### 24. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest	
		2009 %*	2008 %*
<u>Parent entity</u>			
Petratherm Ltd	Australia		
<u>Subsidiary</u>			
MNGI Pty Ltd	Australia	100	100
<u>Subsidiary</u>			
Petratherm Espana SL	Spain	93	93

\* Percentage of voting power is in proportion to ownership

#### 25. 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 17, 18 and 19 respectively.

Proceeds from share issues are used to maintain and expand the Groups exploration activities and fund operating costs.

##### Categories of financial instruments

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Financial Assets</b>				
Cash and cash equivalents	13,002,052	4,587,015	9,932,644	4,264,357
Trade and other receivables	2,317,699	283,589	5,724,960	5,484,019
<b>Financial Liabilities</b>				
Trade and other payables	4,522,141	291,711	268,231	135,356

##### 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.

## Notes to the Financial Statements

### For the year ended 30 June 2009

#### 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 Company's and 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.

##### Consolidated

	Weighted average effective interest rate %	Less than 1 year \$
<b>2009</b>		
Non-interest bearing	-	4,522,141
<b>2008</b>		
Non-interest bearing	-	291,711

##### Parent

	Weighted average effective interest rate %	Less than 1 year \$
<b>2009</b>		
Non-interest bearing	-	268,231
<b>2008</b>		
Non-interest bearing	-	135,356

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 Company/Group anticipates that the cash flow will occur in a different period.

##### Consolidated

	Weighted average effective interest rate %	Less than 1 year \$
<b>2009</b>		
Variable interest rate	4.27	13,002,052
<b>2008</b>		
Variable interest rate	6.83	4,587,015

##### Parent

	Weighted average effective interest rate %	Less than 1 year \$
2009		
Variable interest rate	4.27	9,932,644
2008		
Variable interest rate	6.83	4,264,357

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- net loss would increase or decrease by \$ 65,010 which is mainly attributable to the Group's exposure to interest rates on its variable bank deposits.



## Notes to the Financial Statements

For the year ended 30 June 2009

### 26. 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 \$147,464 (2008: \$95,322). 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 \$90,581 (2008:\$16,328) during the year.

All related party transactions are conducted as commercial rates on all arms length basis.

#### Associates

Throughout the year, Petratherm Limited was invoiced by its associate Minotaur Exploration Limited, for the provision of technical staff and equipment, as well as reimbursements

for expenditure jointly incurred. These transactions were undertaken on arms length basis

and in aggregate for the year ended 30 June 2009 totalled \$43,778 (2008:\$19,753)

Professor Richard Hillis has a consultancy agreement with the Company and received geological consulting fees of \$26,342.

#### 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 based on key performance areas affecting the Group's financial results.

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 Company 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.

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)
Lloyd Taylor	(Non-Executive Director)
Donald Stephens	(Company Secretary)
Peter Reid	(Exploration Manager)
Jonathan Teubner	(Business Development Manager)
John King	(Paralana Project Manager)

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

	2009 \$	2008 \$
<b>Consolidated group</b>		
Short-term employee benefits	893,354	701,067
Post employment benefits	75,530	137,260
Share-based payments	216,828	278,134
	1,185,712	1,116,461

**Notes to the Financial Statements**

For the year ended 30 June 2009

**Option holdings of Key Management Personnel**

30 June 2009	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
<b>Directors</b>								
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
Derek Carter	1,200,000	-	(1,200,000)	-	-	04/04/09	05/04/04	04/04/09
Richard Bonython	500,000	-	(500,000)	-	-	04/04/09	05/04/04	04/04/09
Lloyd Taylor	400,000	-	(400,000)	-	-	04/04/09	05/04/04	04/04/09
Richard Hillis	300,000	-	(300,000)	-	-	04/04/09	05/04/04	04/04/09
Richard Hillis	200,000	-	-	-	200,000	25/06/12	26/06/07	26/06/12
Simon O'Loughlin	200,000	-	(200,000)	-	-	04/04/09	05/04/04	04/04/09
<b>Executives</b>								
Donald Stephens	250,000	-	-	-	250,000	27/07/09	28/07/05	27/07/09
Peter Reid	400,000	-	(400,000)	-	-	27/07/09	28/07/05	27/07/09
Peter Reid	400,000	-	-	-	400,000	21/05/11	22/05/06	21/05/11
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
Jonathan Teubner	400,000	-	-	-	400,000	31/05/13	01/06/08	31/05/13
Jonathan Teubner	-	100,000	-	-	100,000	27/11/13	28/11/08	27/11/13
John King	-	400,000	-	-	400,000	06/07/13	07/07/09	06/07/13
	5,750,000	600,000	(3,000,000)	-	3,350,000			

- \$600,000 was raised through directors and consultants exercising 3,000,000 options at \$0.20 cents during the financial year ending June 2009.

30 June 2008	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
<b>Directors</b>								
Terry Kallis	750,000	-	(100,000)	-	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
Derek Carter	1,200,000	-	-	-	1,200,000	04/04/09	05/04/04	04/04/09
Richard Bonython	500,000	-	-	-	500,000	04/04/09	05/04/04	04/04/09
Lloyd Taylor	400,000	-	-	-	400,000	04/04/09	05/04/04	04/04/09
Richard Hillis	300,000	-	-	-	300,000	04/04/09	05/04/04	04/04/09
Simon O'Loughlin	200,000	-	-	-	200,000	04/04/09	05/04/04	04/04/09
Richard Hillis	-	-	-	200,000	200,000	25/06/12	26/06/07	26/06/12
<b>Executives</b>								
Donald Stephens	250,000	-	-	-	250,000	27/07/09	28/07/05	27/07/09
Peter Reid	400,000	-	-	-	400,000	27/07/09	28/07/05	27/07/09
Peter Reid	400,000	-	-	-	400,000	21/05/11	22/05/06	21/05/11
Peter Reid	100,000	-	-	-	100,000	01/01/12	01/01/07	01/01/12
Jonathan Teubner	400,000	-	-	-	400,000	31/05/13	01/06/08	31/05/13
	5,650,000	-	(100,000)	200,000	5,750,000			

## Notes to the Financial Statements

### For the year ended 30 June 2009

#### Share holdings of Key Management Personnel

30 June 2009	Balance at 1 July 08	On Exercise of Options	Net Change Other	Balance 30 June 09
<b>Directors</b>				
Terry Kallis	100,000	-	19,230	119,230
Derek Carter	66,250	1,200,000	-	1,266,250
Richard Bonython	532,500	500,000	73,940	1,106,440
Lloyd Taylor	300,000	400,000	(700,000)	-
Richard Hillis	20,000	300,000	(200,000)	120,000
Simon O'Loughlin	125,000	200,000	-	325,000
<b>Executives</b>				
Peter Reid	34,918	400,000	(45,688)	389,230
Jonathan Teubner	-	-	-	-
John King	-	-	-	-

30 June 2008	Balance at 1 July 07	On Exercise of Options	Net Change Other	Balance 30 June 08
<b>Directors</b>				
Terry Kallis	-	100,000	-	100,000
Derek Carter	66,250	-	-	66,250
Richard Bonython	532,500	-	-	532,500
Lloyd Taylor	300,000	-	-	300,000
Richard Hillis	20,000	-	-	20,000
Simon O'Loughlin	125,000	-	-	125,000
<b>Executives</b>				
Peter Reid	34,918	-	-	34,918
Jonathan Teubner	-	-	-	-



## Notes to the Financial Statements

### For the year ended 30 June 2009

#### Wholly owned Group transactions

##### Loans

The wholly owned Group consists of Petratherm Limited and its wholly owned controlled entity MNGI Pty Limited and majority owned Petratherm Espana SL. Ownership interests in the controlled entity are set out in note 24. Transactions between Petratherm Limited and its subsidiary's 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 balance sheet under current assets. Intercompany and cash movements throughout the year are detailed within the body of cash flow statement under 'Loans to wholly-owned subsidiary'.

#### 27. SUBSEQUENT EVENTS AFTER THE BALANCE DATE

Petratherm and its Joint Venture partners receive first \$4.2 million of the \$7 million Geothermal Drilling Program grant from the Federal Department of Resources, Energy & Tourism.

Since the end of the financial year, 2,250,000 options have been exercised at a price of \$0.20 cents, raising a total of \$450,000.

#### 28. ADDITIONAL INFORMATION (JOINT VENTURES)

- Beach Petroleum is an oil & gas company that farmed-in to the Paralana Project in January 2007. Beach can earn up to 36% of the project for \$30 million plus their equity share of project costs.
- TRUenergy Geothermal farmed-in to the Paralana Project in August 2008. TRUenergy Geothermal can earn up to 30% of the project for \$57 million plus their equity share of project costs.





### **Directors' Declaration**

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 23 to 53, are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2009 and the performance for the year ended on that date of the Company and consolidated Group;
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.

A handwritten signature in black ink, appearing to read "Terry Kallis".

Terry Kallis  
Managing Director

Dated 30 September 2009



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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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we 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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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETRATHERM LIMITED Cont**

### **Auditor's responsibility Cont**

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 entity's preparation and fair presentation of the financial report 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 entity'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 opinions.

### **Independence**

In conducting our audit, we complied with applicable 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 2009 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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.



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

**Auditor's opinion**

In our opinion the Remuneration Report of Petratherm Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "S J Gray", written over a light blue horizontal line.

S J Gray  
Partner

Signed at Wayville on this 30<sup>th</sup> day of September 2009

## ASX Additional information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 5 October 2009

### Distribution of equity securities

#### Ordinary share capital

- 94,463,673 fully paid ordinary shares are held by 3,407 individual shareholders. All issued ordinary shares carry one vote per share.

#### Options

- 3,890,000 options are held by 12 individual option holders.

The number of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares	Unquoted Options
1 - 1,000	288	-
1,001 - 5,000	1,074	-
5,001 - 10,000	620	-
10,001 - 100,000	1,339	4
100,001 and over	86	8
	<u>3,407</u>	<u>12</u>
Holding less than a marketable parcel	455	-

#### Substantial shareholders

##### Ordinary shareholders

	Fully paid	
	Number	Percentage
Minotaur Resources Investments Pty Ltd	<u>20,456,731</u>	<u>21.66%</u>
	<u>20,456,731</u>	<u>21.66%</u>

## ASX Additional information continued

### Twenty largest holders of quoted equity securities

	Fully Paid Ordinary Shares	
	Number	Percentage
MINOTAUR RESOURCES INVESTMENTS PTY LTD ACN 108 483 683	20,456,731	21.66%
NATIONAL NOMINEE LTD ACF AUSTRALIAN ETHICAL INVESTMENT LTD SRE AUSTRALIAN ETHICAL EQUITIES TRUST	4,464,886	4.73%
MR DEREK NORTHLEIGH CARTER	1,200,000	1.27%
TAYCOL NOMINEES PTY LTD	1,171,000	1.24%
DORICA NOMINEES PTY LTD	1,025,480	1.09%
YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C>	890,081	0.94%
ROMADAK PTY LTD <ROMADAK SUPER FUND A/C>	775,480	0.82%
EURO PACIFIC HOLDINGS PTY LTD	750,000	0.79%
MR JOHN WILLIAM SCHANK	692,000	0.73%
YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C>	625,000	0.66%
MR RUSSELL KEITH HODGE + MRS JUSTINE HODGE	600,000	0.64%
ROMADAK PTY LTD <ROMADAK SUPER FUND A/C>	560,480	0.59%
MR JEFF MARTIN + MRS IRENA MARTIN <THE J & I MARTIN S/F A/C>	407,785	0.43%
SYMINGTON PTY LTD	400,000	0.42%
MRS JENNIFER ANN REID	360,000	0.38%
J ARONOV COMPUTER SERVICES PTY LTD	325,480	0.34%
GREGSAND PTY LTD <THE GREGG SUPER FUND A/C>	324,000	0.34%
MR JOHN WILLIAM SCHANK	308,000	0.33%
HOLLEY SUPERANNUATION PTY LTD <HOLLEY SUPERANNUATION A/C>	304,230	0.32%
AMH CUSTODIAN PTY LTD	300,000	0.32%
	<hr/> 35,940,633	<hr/> 38.04%

## Tenement Summary

### AUSTRALIA

Project	Tenement	Area (km2)	Registered holder/Applicant	Company Interest
South Australia				
Paralana				
	GEL 156	497	MNGI Pty Ltd	100%
	GEL 178	498	MNGI Pty Ltd	100%
	GEL 180	498	MNGI Pty Ltd	100%
	GEL 254	498	MNGI Pty Ltd	100%
	GEL 336	408	MNGI Pty Ltd	100%
Renmark				
	GEL 241	497	MNGI Pty Ltd	100%
	GEL 242	499	MNGI Pty Ltd	100%
East Gippsland				
	GEP24	10,000	MNGI Pty Ltd	100%

### SPAIN

Project	Tenement	Area (km2)	Registered holder/Applicant	Company Interest
Canary Islands				
Tenerife				
Garehagua	2053	242	Petratherm Espana SL	93.023%
Berolo	2054	121	Petratherm Espana SL	93.023%
Guayafanta	2052	181	Petratherm Espana SL	93.023%
Gran Canaria				
Atidama	151	277	Petratherm Espana SL	93.023%
Madrid				
Cayena	3450/100	290.5	Petratherm Espana SL	93.023%
Barcelona				
Canoves	10150	36.2	Petratherm Espana SL	93.023%
Montbui	10151	33	Petratherm Espana SL	93.023%
Vic	10164	84.7	Petratherm Espana SL	93.023%
Congost	10170	83	Petratherm Espana SL	93.023%

A photograph of a bright blue sky filled with soft, white, wispy clouds. The clouds are scattered across the frame, with some appearing more dense and others more ethereal. The overall tone is clean and optimistic.

BE PART OF  
**PETRATHERM'S**  
**BLUE SKY**  
**FUTURE**

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