

Petratherm Ltd

ABN 106 806 884

Half Year Report

for the half year ended 31 December 2009

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Directors' Report

The directors of Petratherm Ltd (Petratherm) submit their report for the half-year ended 31 December 2009.

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

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

Review of Operations

SUMMARY

During the six months to 31 December 2009, Petratherm achieved several significant goals: drilling a deep well at the company's flagship Paralana geothermal energy project, awarding of a Federal Government grant, and negotiating an important Memorandum of Understanding with one of Europe's largest utility companies Enel, to advance its Spanish projects.

In December 2009, Petratherm and our joint venture partners Beach Energy Ltd (formerly Beach Petroleum) and TRUenergy Geothermal Pty Ltd, completed the Paralana 2 deep injector well to a depth of 3,725m. Temperature measurements were taken in February 2010 and, based on temperature logging data, the extrapolated Paralana 2 temperature at 4,000 metres is between 185°C and 191°C, exceeding the 170°C targeted for economic development.

In November 2009, the joint venture project was recognised by being awarded a \$62.8 million Renewable Energy Demonstration Program (REDP) grant by the Federal Government. This funding will go toward building a 30MW zero emission, geothermal energy power generation project at Paralana following proof of concept.

To date, the Paralana project has received \$4.2 million under the Commonwealth Government's Geothermal Drilling Program (GDP) toward the cost of the Paralana 2 well. A further \$2.8 million in GDP grant monies is available for the Paralana 3 well.

Petratherm initiated an innovative solar thermal technology project called Heliotherm (formerly referred to as GeoSolar). In December 2009, this project was offered a \$794,268 grant under the South Australian Premier's Science and Research Fund. The Heliotherm project aims to reduce the cost of solar thermal technology by integrating solar thermal, geothermal and combustion technologies.

At the end of the period the Company held \$2.33 million in cash.

CORPORATE HIGHLIGHTS

The Paralana Joint Venture was awarded a \$62.762 million grant under the Federal Government's \$435 million Renewable Energy Demonstration Program.

This grant will contribute to the cost of building a 30MW commercial demonstration project at Paralana, subsequent to the proof of concept stage, currently underway at Paralana.

The longer-term aim for the Paralana project is to develop Australia's first large-scale (260 plus MW) base load geothermal power station to deliver zero emission electricity to the National Electricity Market.

Further drilling grant funds

Petratherm on behalf of the Paralana Joint Venture (JV) Project was successful with its application under the Commonwealth Government's \$50 million Geothermal Drilling Program (GDP) and has received \$4.2 million of the maximum grant amount of \$7 million. The GDP provides for 60% upfront funding, Petratherm's share being 69% or \$2,898,000.

Petratherm continued its leadership within the geothermal energy industry with its Managing Director Terry Kallis reappointed Chairman of the Australian Geothermal Energy Association (AGEA) and its representative to the Stakeholder Committee of the Australian Energy Market Commission's review of Energy markets in light of Climate Change Policies.

AGEA commissioned an independent report by leading energy economics firm McLennan Magasanik Associates (MMA), the company that advised the Federal Government on the design of the Carbon Pollution Reduction scheme and Renewable Energy Target.

The report studied the cost benefit of connecting an electricity transmission line from Innamincka near Moomba, in northern South Australia via Olympic Dam to Davenport near Port Augusta - taking in the geothermal energy projects of Geodynamics Ltd in the Cooper Basin and Petratherm in the Arrowie Basin in the northern Flinders Ranges.

The major finding of the MMA report was that investing \$172 million in power transmission would create savings of \$860 million for South Australian customers and \$2,800 million for customers of the National Electricity Market from 2011 to 2030.

OPERATIONS HIGHLIGHTS

Paralana

Drilling of the first deep injection well Paralana 2 was finished during December 2009 to a depth of 4012 metres and it was then successfully cased to 3,725 metres.

In February 2010, temperature logs were taken over the lower cased hole, more than 10 weeks after circulation of the well ceased, allowing enough time for the bottom section of the well to be close to thermal equilibrium.

The temperature at 3,674 metres using a continuous logging tool was measured at 173°C, whilst a separate maximum temperature logging tool measured a temperature of 176°C at a depth of 3,672 metres.

The Paralana 2 temperature, extrapolated to 4,000 metres is between 185°C and 191°C. This significantly exceeds the minimum temperature of 170°C targeted for the economic development of the Paralana resource.

The forward plan is to create a multi-zone fracturing program to create an underground heat exchange reservoir. Drilling of a second deep geothermal well, Paralana 3, is planned in the final quarter of 2010 followed by circulation testing to achieve proof of concept. In 2011, Petratherm aims to build a pilot power plant on site.

The final installation of a passive seismic array was completed during the third quarter. This array has captured natural background seismic information and will be used to record the location of micro-seismic events during rock fracturing for the underground heat exchanger.

Spain

In March 2010, Petratherm announced the signing of a Memorandum of Understanding (MOU) with Enel Green Power to jointly assess and develop its electricity producing geothermal projects in Spain and to expand its project portfolio across the Iberian Peninsula.

Enel Green Power, the renewable energy subsidiary of the Enel Group, is a world leader in geothermal power generation with about 800 MW of capacity operating and has a project development portfolio of more than 300MW.

The MoU provides for the following arrangements:

- Cooperative development of electricity producing projects on the Iberian Peninsula and the Canary Islands;
- Direct and external exploration costs to be shared on a 50/50 basis with Special Purpose Vehicles (SPVs) to take forward projects through development phases with each project to be negotiated after sufficient exploration work is completed;
- Formation of a technical committee, comprising representatives of both parties to oversee the exploration and development program; and
- In relation to the more advanced Tenerife project, Enel Green Power to:
 - Contribute 50 per cent of all exploration costs to date and ongoing costs;
 - Fund the first deep production well in return for a majority equity stake in the project.

Tenerife

Sinclair Knight Merz has been assisting Petratherm in the search for a hot fluid reservoir on the volcanic island of Tenerife and is analysing scientific data, including data from a recent extensive magneto-telluric survey, to locate a prospective site for a deep production well. Petratherm España has three Geothermal Exploration Licenses (GELs) on Tenerife, the largest of the Canary Islands in this Spanish archipelago off the west coast of North Africa.

Geo Madrid District Heating Project

Work is continuing under the cooperative agreement Petratherm entered into with the Spanish Federal and Madrid Regional governments to progress a 8MW Madrid Geothermal District Heating (GDH) project.

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, which is seeking to advance renewable energy projects in the Madrid region.

The Cooperative Agreement provides for a Committee comprised of representatives of Petratherm and the two Spanish governments to expedite the remaining steps of the project that are required to achieve financial close.

Heliotherm

Petratherm has added an innovative solar thermal technology project, Heliotherm to its project portfolio. In December 2009, this 100 per cent Petratherm-owned project, under its earlier name GeoSolar, was offered a \$794,268 grant under the South Australian Premier's Science and Research Fund.

The Heliotherm project's focus is to reduce the capital costs of solar thermal technology by up to 40% by integrating solar thermal, geothermal and combustion technologies. Petratherm has an agreement with the University of Adelaide for an exclusive right to the use of the intellectual property generated from the Heliotherm research and development. The Heliotherm project is being led by Professor Graham (Gus) Nathan from the University of Adelaide's highly regarded Centre for Energy Technology.

The Company will apply for further grant monies in the coming months, available through both State and Federal programs, to assist in the funding of the technology development.

China

Petratherm hosted a high-level Chinese delegation during October 2009 as the group pursued further research into developing geothermal energy in China. The group, including the Vice Director of the China Institute of GeoEnvironment Monitoring, the Chairman of the Geothermal China Energy Society and the Director of the Fujian Southern Institute of Geothermal and Mineral Spring, has been working with Petratherm through a cooperative agreement.

During the visit to Australia, the group discussed the next steps in progressing Engineered Geothermal Systems and Petratherm's involvement in future projects.

Petratherm has completed its Engineered Geothermal Project Prospectivity assessment for China, which formed the basis of an Asia Pacific partnership grant awarded by the Australian Federal Government. This work identified several new prospective geothermal sites for electricity generation.

Auditor's independence declaration

The auditor's independence declaration is set out on page 8 and forms part of the directors' report for the half year ended 31 December 2009.

Signed in accordance with a resolution of the board of directors.

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

Mr Terry Kallis
Managing Director

16 March 2010

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
W www.grantthornton.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PETRATHERM LTD**

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

GRANT THORNTON
South Australian Partnership
Chartered Accountants



J L Humphrey
Partner

Signed at Adelaide on this 16th day of March 2010

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Consolidated Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated Half-year ended	
		31 Dec 2009 \$	31 Dec 2008 \$
Revenue		186,845	740,032
Impairment of exploration assets		(74,006)	(1,044,648)
Employee benefits expense		(1,000,261)	(656,414)
Depreciation expense		(28,310)	(22,633)
Other expenses		(1,075,940)	(979,459)
Loss before income tax expense		(1,991,672)	(1,963,122)
Income tax expense		(1,877)	(360)
Profit/(Loss) from continuing operations		(1,993,549)	(1,963,482)
Loss for the period		(1,993,549)	(1,963,482)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(204,342)	179,626
Total comprehensive income for the period		(2,197,891)	(1,783,856)
Total comprehensive income attributable to:			
Members of the parent entity		(2,197,891)	(1,783,856)
Non-controlling interest		-	-
		(2,197,891)	(1,783,856)
Earnings per share from continuing operations		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		(2.12)	(3.39)
Diluted earnings per share		(2.12)	(3.39)

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2009

	Note	Consolidated	
		31 December 2009 \$	30 June 2009 \$
CURRENT ASSETS			
Cash and cash equivalents		2,327,039	13,002,052
Trade and other receivables		2,031,451	2,317,699
Other current assets		52,628	59,944
TOTAL CURRENT ASSETS		4,411,118	15,379,695
NON-CURRENT ASSETS			
Property, plant and equipment		201,979	191,356
Exploration and evaluation assets		14,469,289	5,549,372
TOTAL NON-CURRENT ASSETS		14,671,268	5,740,728
TOTAL ASSETS		19,082,386	21,120,423
CURRENT LIABILITIES			
Trade and other payables		1,755,370	4,522,141
Deferred income		-	683,611
Short-term borrowings		6,032	6,032
Short-term provisions		102,547	88,840
TOTAL CURRENT LIABILITIES		1,863,949	5,300,624
NON-CURRENT LIABILITIES			
Long-term borrowings		30,542	33,783
Long-term provisions		74,680	74,133
Deferred government grants		2,898,000	-
TOTAL NON-CURRENT LIABILITIES		3,003,222	107,916
TOTAL LIABILITIES		4,867,171	5,408,540
NET ASSETS		14,215,215	15,711,883
EQUITY			
Issued capital	3	23,505,429	23,048,738
Reserves		412,940	628,851
Retained earnings		(9,703,154)	(7,965,706)
Parent entity interest		14,215,215	15,711,883
Non-controlling interest		-	-
TOTAL EQUITY		14,215,215	15,711,883

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

Consolidated Statement of Changes in Equity FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated						
		Issued Capital Ordinary	Retained Earnings	Share Option Reserve	Foreign		Minority Interest	Total
					Currency translation	Reserve		
		\$	\$	\$	\$	\$	\$	
Balance at 1 July 2008		14,228,516	(4,877,186)	587,735	(7,419)	-	9,931,646	
Total comprehensive income for the period		-	(1,963,482)	-	179,626	-	(1,783,856)	
Issue of shares upon exercise of employee options		28,800	-	-	-	-	28,800	
Issue of share options under employee share option plan		-	-	224,446	-	-	224,446	
Transfer from employee equity-settled benefits reserve		5,540	-	(5,540)	-	-	-	
Transaction costs (net of tax)		(840)	-	-	-	-	(840)	
Balance at 31 December 2008		14,262,016	(6,840,668)	806,641	172,207	-	8,400,196	
Balance at 1 July 2009		23,048,738	(7,965,706)	814,149	(185,298)	-	15,711,883	
Total comprehensive income for the period		-	(1,993,549)	-	(204,342)	-	(2,197,891)	
Exercise of options at various dates		459,600	-	-	-	-	459,600	
Issue of share options under employee share option plan		-	-	246,002	-	-	246,002	
Transfer from employee equity-settled benefits reserve upon exercise of vested options		1,470	-	(1,470)	-	-	-	
Transfer from employee equity-settled benefits reserve upon cancellation of vested options		-	256,101	(256,101)	-	-	-	
Transaction costs (net of tax)		(4,379)	-	-	-	-	(4,379)	
Balance at 31 December 2009		23,505,429	(9,703,154)	802,580	(389,640)	-	14,215,215	

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

Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated	
		Half year ended 31 Dec 2009 \$	Half year ended 31 Dec 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		19,801	929
Payments to suppliers and employees		(1,243,446)	(1,089,507)
Interest received		167,044	115,439
Receipt of Research & Development tax concession		-	256,472
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		(1,056,601)	(716,667)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(49,000)	(57,849)
Government exploration related grants		5,297,583	543,459
Joint venture receipts		4,609,000	2,551,975
Payments for exploration activities		(19,956,182)	(3,511,517)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(10,098,599)	(473,932)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		459,600	28,800
Transaction costs of issue of shares		(6,256)	(840)
Payment of finance lease liabilities		(3,000)	-
Proceeds from borrowings		36,574	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		486,918	27,960
Net increase/(decrease) in cash and cash equivalents		(10,668,282)	(1,162,639)
Net foreign exchange differences		(6,731)	(38,215)
Cash at the beginning of the period		13,002,052	4,587,015
CASH AT THE END OF THE PERIOD		2,327,039	3,386,161

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting entity

Petratherm Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2009 comprises the Company and its subsidiaries (the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2009 is available upon request from the Company's registered office.

b. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including AASB 134: Interim Financial Reporting and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Group as at and for the year ended 30 June 2009 together with any public announcements made during the half year.

c. Significant accounting policies

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the consolidated financial report as at and for the year ended 30 June 2009.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 8 Operating Segments
- AASB101 Presentation of Financial Statements

AASB 8 Operating Segments

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. Information regarding the operating segments of the Group is presented in Note 2. The amounts reported for the prior period have been restated to conform to the requirements of AASB 8.

AASB101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

d. Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2009.

In the half-year ended 31 December 2009, management reassessed its estimates in respect of:

Carrying value of exploration expenditure

The Group performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continued to be capitalised under AASB 6 'Exploration for and Evaluation of Mineral Resources' or written off to the statement of comprehensive income. As a result of this review, management has determined that \$74,006 be written off as a result of relinquishments of title.

2. SEGMENT INFORMATION

The Group has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risk rewards approach, with the entity's 'system of internal financial reporting to 'key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

Segment information reported externally was analysed on the basis of the business segments encountered by Petratherm (namely Exploration in both Australia and Spain). However, information reported to the Company's Managing Director for the purposes of resources allocation and assessment of performance is more specifically focused on the areas in which the Group is exploring in Australia and Spain, as well as the Company's Paralana Project. The Group's reportable segments under AASB 8 are therefore as follows:

- Exploration activities - Australia (excluding the Paralana Project);
- Exploration activities - Spain; and
- Exploration activities - Paralana Project.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

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

	Segment Revenue		Segment Result	
	Half Year ended		Half Year ended	
	31-Dec 2009	31-Dec 2008	31-Dec 2009	31-Dec 2008
	\$	\$	\$	\$
Continuing Operations				
Australia (ex Paralana)	-	-	(74,006)	(1,044,648)
Paralana Project	19,801	-	-	-
Spain	-	-	-	-
	19,801	-	(74,006)	(1,044,648)
Administration/Corporate	167,044	740,032	(1,889,356)	(895,841)
Depreciation	-	-	(28,310)	(22,633)
Consolidated revenue	186,845	740,032		
Profit/(Loss) before income tax			(1,991,672)	(1,963,122)
Income tax benefit			(1,877)	(360)
Profit/(Loss) for period			(1,993,549)	(1,963,482)

The revenue reported above represents revenue generated from financial institutions and joint venture partners. There were no intersegment sales during the period.

Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs, depreciation and income tax (expense)/benefit. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Segment Assets

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

	Opening Balance	Exploration Expenditure	Impairment	Closing Balance
	1/07/2009			31/12/2009
	\$	\$	\$	\$
Continuing Operations				
Australia (ex Paralana)	123,965	68,258	(74,006)	118,217
Paralana Project	3,300,742	8,513,416	-	11,814,158
Spain	2,124,665	412,249	-	2,536,914
Total segment assets	5,549,372	8,993,923	(74,006)	14,469,289
Other				
Administration/Corporate (i)	15,571,051			4,613,097
	21,120,423			19,082,386

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

3. ISSUED CAPITAL

	Consolidated	
	As at 31-Dec-09 \$	As at 30-Jun-09 \$
Issued capital		
Fully paid ordinary shares	23,505,429	23,048,738
	<u>23,505,429</u>	<u>23,048,738</u>
	2009	
	Number	\$
Balance at beginning of period	92,213,673	23,048,738
Exercise of options at various dates	2,280,000	459,600
Transaction costs on share issue	-	(4,379)
Transfer from share option reserve	-	1,470
Balance at end of financial year	<u>94,493,673</u>	<u>23,505,429</u>

4. SHARE BASED PAYMENTS

The company has established the Petratherm Ltd Employee Share Option Plan that entitles employees to receive unlisted options in the entity as an incentive. The terms and conditions of the share option plan are disclosed in the consolidated financial report as at and for the year ended 30 June 2009. In the half year further grant on similar terms was made to Petratherm Ltd personnel.

The terms and conditions of the grant made during the six months ended 31 December 2009 as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of options
	1,060,000	On Issue	5 years
Fair value at grant date			\$0.21 - \$0.25
Share price			\$0.37 - \$0.41
Exercise price			\$0.50
Expected volatility			74.02%
Risk-free interest rate			5.23%

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

5. SUBSEQUENT EVENTS

Temperature measurement confirms expectations

On the 1st March 2010 Petratherm and its joint venture partners Beach Energy Ltd and TRUenergy Geothermal announced that temperature logs have been taken over the lower cased hole section of the Paralana 2 well.

The temperature measured at 3,674 metres using a continuous logging tool was 173°C, whilst a separate maximum temperature logging tool measured a temperature of 176°C at a depth of 3,672 metres.

Based on the temperature logging data, the extrapolated Paralana 2 bottom hole temperature is between 185°C and 191°C at a depth of 4000 metres.

Petratherm España signs a Memorandum of Understanding with leading European renewable energy company

Petratherm Limited is pleased to advise that Petratherm España has signed a Memorandum of Understanding (MoU) with Enel Green Power to jointly assess and develop its electricity producing geothermal projects in Spain and to expand its project portfolio across the Iberian Peninsula.

Enel Green Power (EGP), the renewable energy subsidiary of the Enel Group, is a world leader in geothermal power generation with about 800 MW of capacity operating and has a project development portfolio of more than 300 MW.

Share Purchase Plan

On 10 March 2010, the Company announced its intention to offer shareholders the ability to participate in a Share Purchase Plan. The plan enables eligible shareholders to purchase up to \$15,000 worth of ordinary fully paid shares at a price of \$0.24.

6. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last reporting date. It is however noted that the Group has various bank guarantees totaling \$177,403 at 31 December 2009 which act as collateral over tenements which Petratherm operates.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

7. GOING CONCERN BASIS OF ACCOUNTING

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

The cash flow projections of the Group indicate that Group is reliant on the completion of a capital raising for continued operations. The Group will be seeking to raise equity to fund operations, including exploration and working capital.

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

Directors' Declaration

In accordance with a resolution of the directors of Petratherm Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 , including:
 - (i) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Terry Kallis
Managing Director

16 March 2010

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PETRATHERM LTD

We have reviewed the accompanying half-year financial report of Petratherm Ltd (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity’s financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PETRATHERM LTD Cont

Auditor's responsibility Cont

As the auditor of Petratherm Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Significant uncertainty regarding continuation as a going concern

Without qualifying our review conclusion attention is drawn to Note 7 – Going Concern Basis of Accounting to the half-year financial report. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern. The half-year financial report has been prepared on the basis of going concern. The consolidated entity will require additional funds for the continued development of their existing projects and working capital.

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

Significant uncertainty regarding continuation as a going concern Cont

The consolidated entity's ability to continue as a going concern is contingent upon successfully raising additional capital. If additional funds are not raised, the going concern basis may not be appropriate, with the result that the consolidated entity may have to realise their assets and extinguish their liabilities, other than in the ordinary course of business and in amounts different from those stated in the half-year financial report. No allowance for such circumstances has been made in the half-year financial report.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



J L Humphrey
Partner

Signed at Adelaide on this 16th day of March 2010