Petratherm Ltd

ACN 106 806 884

Half Year Report

for the half year ended 31 December 2010

Contents to Half Year Report

Directors' Report

The directors of Petratherm Ltd (Petratherm) submit their report for the half-year ended 31 December 2010.

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	Non-Executive Director
Richard Hillis	Non-Executive Director
Simon O'Loughlin	Non-Executive Director
Lewis Owens	Non-Executive Director

Review of Operations

SUMMARY

During the six months to 31 December 2010, Petratherm achieved a number of significant goals including, a successful perforation and injectivity test of the Paralana 2 well, formally executing the $62.8 million Commonwealth Government grant Funding Deed for the Paralana Project, a renegotiation of the Joint Venture ('JV') with beach Energy to bring forward $2.7 million in free carry monies and a successful placement of shares to raise $1.5 million in funds. Beach Energy Limited farmed-in to the Paralana Project in January 2007.

The Paralana perforation and injectivity test was successfully completed after several delays due to severe flooding in the region. The test achieved its goal of breaking down (fracturing) the rock at the target depth of 3680 metres. The Company is encouraged by the number and spread of micro-seimic events recorded and the evidence suggesting the potential connection to an over-pressured zone. The Company is now planning for the Main Fracture Stimulation process to be undertaken in late March 2011.

The Company also achieved progress in its Spanish projects with the identification of prospective drilling sites for its Tenerife volcanic geothermal project and nearing completion of the feasibility assessment of its Madrid district heating project. In addition to Petratherm España's existing project partner Enel, interest has been shown by other European energy utilities in the Company's Spanish projects. Discussions with additional potential JV partners are continuing.

At the beginning of the period the Company held $2.72 million in cash. During the period the Company expended $3.87 million on exploration and evaluation activities. Of that expenditure $3.44 million was funded by our joint venture partners Beach Energy Ltd and TRUenergy Geothermal Pty Ltd.

After a capital raising of $1.5 million in December the Company held $2.83 million in cash at the end of the period.

CORPORATE HIGHLIGHTS

During the period Petratherm finalised its joint venture arrangements with Beach Energy Ltd. The terms of that $2.7 million farm-in variation deal were;

- Beach Energy to bring forward $2.7 million in free carry funding for Petratherm's share of project costs;

- Petratherm to bring forward the assignment of Beach's 21% interest as a tenant in common of the Paralana geothermal exploration licences (which has since been completed);

- Beach Energy no longer required to pay the first $5 million toward the Paralana 3 well, but will be required to contribute to its equity share of project costs at 21% of total costs; and

- TRUenergy Geothermal's earn-in requirement to pay the first $3 million toward Petratherm's equity share of project costs for the Paralana 3 well was reduced to $2.5 million to ensure TRUenergy's joint venture interests are unaffected by changes in point 3 above.

In December 2011 the Company successfully completed a capital raising of $1.5 million through the placement of 15,040,000 new shares at a price of $0.10 per share. The placement was managed by Patersons Securities Ltd and was supported by Petratherm's two largest shareholders, Minotaur Exploration Ltd and Australian Ethical Investments Ltd.

The funding activities have enabled the Company to progress with its flagship Paralana project and its Spanish projects in Tenerife and Madrid.

The Paralana Joint Venture signed and formally executed a $62.762 million grant Funding Deed 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, which is 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.

Petratherm continued its leadership within the geothermal energy industry with its Managing Director Terry Kallis appointed Deputy 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.

OPERATIONS HIGHLIGHTS

Paralana

Petratherm and its JV partners Beach Energy Ltd and TRUenergy Geothermal Pty Ltd achieved key project milestone during the period with a successful perforation and injectivity test of the Paralana 2 well. After considerable delays inhibited access to the site (due to one in twenty year flooding of the north eastern part of the state of South Australia), the work was finally able to commence late in December and was completed in early January 2011.

During October 2010, the Paralana 2 well was given the all clear from any apparent blockages and it was decided as precursor to the perforation and injectivity test that the well be cleaned.

The Paralana 2 well was cleaned using a coil tubing unit in a process whereby the heavy brine used during the cementing of casing was replaced with less saline bore water from the existing nearby water well. Following the cleaning of the Paralana 2 well, the steel casing was perforated over the interval 3,679 to 3685 metres.

The zone was subsequently successfully broken down (fractured) during an injectivity test where water under pressure in the formation. The data collected from the injectivity test operation is to be used to design the main fracture stimulation program.

The Company is encouraged by the results of the perforation and injectivity test which not only saw successful breakdown of the formation but also detected 140 seismic events with events propagating over 300 metres from the well-bore and apparent connection to an over-pressured zone (to be confirmed during the main stimulation). On completion of the injection work, the measured well head pressure was more that 4,000 psi.

The next stage of the fracture stimulation program will be the Main Fracture Stimulation stage, planned for late March 2011, and will involve injecting a larger volume of water at higher rates, the volumes and rates to be dependent on the micro-seismic response by the installed micro-seismic array.

The aim of the Main Fracture Stimulation work is to create a fracture network and to connect to and enhance the existing natural fracture network that contained over-pressure brines found during drilling of Paralana 2. The work will assist in determining the location of the Paralana 3 well and it seeks to further de-risk the Paralana geothermal energy project.

Spain

Tenerife

During the period, Petratherm España in conjunction with its 50% exploration partner, Enel Green Power, continued to develop the Tenerife volcanic geothermal project. Prospective drilling targets have been identified for a slim-hole well. That well is designed to allow testing of temperature, pressure, flow and brine chemistry to characterize the potential geothermal resource. Assessment of drilling design, well costs and permitting requirements for the well are under way.

If the well is successful, Enel Green Power under the terms of their agreement with Petratherm España, has the option to fully fund the first deep production grade well in exchange for 50% equity in the project.

Geo Madrid District Heating Project

Petratherm has continued to develop the Madrid district heating project and discussions are underway with a major European utility to assess joint venture arrangements and to optimise the final project design for the project. It is planned that the final project design be jointly (with the JV partner) presented to the Spanish Government to secure federal government grant support required to make the project commercially attractive.

Auditor's independence declaration

The auditor's independence declaration is set out on page 7 and forms part of the directors' report for the half year ended 31 December 2010.

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

Mr Terry Kallis
Managing Director

16 March 2010

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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 2010, 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
GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 16 March 2011

Consolidated Statement of Comprehensive Income
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Half-year ended 31 Dec 2010 $	31 Dec 2009 $
Revenue		53,026	186,845
Impairment of exploration assets		(3,267)	(74,006)
Employee benefits expense		(462,856)	(1,000,261)
Depreciation expense		(30,751)	(28,310)
Finance costs		(1,356)	-
Other expenses		(626,719)	(1,075,940)
Loss before income tax expense		(1,071,923)	(1,991,672)
Income tax expense		(33,567)	(1,877)
Profit/(Loss) from continuing operations		(1,105,490)	(1,993,549)
Loss for the period		(1,105,490)	(1,993,549)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(208,404)	(204,342)
Total comprehensive income for the period		(1,313,894)	(2,197,891)
Total comprehensive income attributable to:			
Members of the parent entity		(1,313,894)	(2,197,891)
Non-controlling interest		-	-
		(1,313,894)	(2,197,891)
Earnings per share from continuing operations		*Cents*	*Cents*
Basic earnings per share		(0.99)	(2.12)
Diluted earnings per share		(0.99)	(2.12)

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 2010

		Consolidated	
	Note	31 December 2010 $	30 June 2010 $
CURRENT ASSETS			
Cash and cash equivalents		2,832,765	2,716,750
Trade and other receivables		159,967	1,635,418
Other current assets		42,648	60,684
TOTAL CURRENT ASSETS		3,035,380	4,412,852
NON-CURRENT ASSETS			
Property, plant and equipment		169,211	202,627
Exploration and evaluation assets		17,256,550	17,683,266
TOTAL NON-CURRENT ASSETS		17,425,761	17,885,893
TOTAL ASSETS		20,461,141	22,298,745
CURRENT LIABILITIES			
Trade and other payables		243,704	2,271,158
Borrowings		6,585	6,585
Short-term provisions		92,000	118,461
TOTAL CURRENT LIABILITIES		342,289	2,396,204
NON-CURRENT LIABILITIES			
Borrowings		23,675	26,898
Long-term provisions		85,693	88,461
Other		2,898,000	2,898,000
TOTAL NON-CURRENT LIABILITIES		3,007,368	3,013,359
TOTAL LIABILITIES		3,349,657	5,409,563
NET ASSETS		17,111,484	16,889,182
EQUITY			
Issued capital	3	28,860,433	27,434,757
Reserves		415,103	653,767
Retained earnings		(12,164,052)	(11,199,342)
Parent entity interest		17,111,484	16,889,182
Non-controlling interest		-	-
TOTAL EQUITY		17,111,484	16,889,182

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 2010

	Note	Consolidated					
		Issued Capital Ordinary $	Retained Earnings $	Share Option Reserve $	Foreign Currency translation Reserve $	Minority Interest $	Total $
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
Balance at 1 July 2010		27,434,757	(11,199,342)	1,217,180	(563,413)	-	16,889,182
Total comprehensive income for the period		-	(1,105,490)	-	(208,404)	-	(1,313,894)
Shares issued via placement	3	1,504,000	-	-	-	-	1,504,000
Issue of share options under employee share option plan		-	-	110,520	-	-	110,520
Transfer from employee equity-settled benefits reserve upon cancellation of vested options		-	140,780	(140,780)	-	-	-
Transaction costs (net of tax)	3	(78,324)	-	-	-	-	(78,324)
Balance at 31 December 2010		28,860,433	(12,164,052)	1,186,920	(771,817)	-	17,111,484

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 2010

	Note	Consolidated Half year ended 31 Dec 2010 $	Consolidated Half year ended 31 Dec 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		9,194	19,801
Payments to suppliers and employees		(884,596)	(1,243,446)
Interest received		38,933	167,044
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		(836,469)	(1,056,601)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,646)	(49,000)
Government exploration related grants		-	5,297,583
Joint venture receipts		3,441,000	4,609,000
Payments for exploration activities		(3,872,000)	(19,956,182)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(432,646)	(10,098,599)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,504,000	459,600
Payment of transaction costs for issue of shares		(111,891)	(6,256)
Payment of finance lease liabilities		(3,506)	(3,000)
Proceeds from borrowings		-	36,574
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		1,388,603	486,918
Net increase/(decrease) in cash and cash equivalents		119,488	(10,668,282)
Net foreign exchange differences		(3,473)	(6,731)
Cash at the beginning of the period		2,716,750	13,002,052
CASH AT THE END OF THE PERIOD		2,832,765	2,327,039

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 2010

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 2010 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 2010 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.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group.

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 2010 together with any public announcements made during the half year.

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

c. 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 2010.

In the half-year ended 31 December 2010, management reassessed its estimates in respect of:

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

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 $3,267 be written off as a result of a relinquished Renmark title from a prior period.

2. SEGMENT INFORMATION

The Group's reportable segments under AASB 8 are as follows:

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

Information regarding these segments is presented below.

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 2010 $	31-Dec 2009 $	31-Dec 2010 $	31-Dec 2009 $
Continuing Operations				
Australia (ex Paralana)	-	-	(3,267)	(74,006)
Paralana Project	9,194	19,801	-	-
Spain	-	-	-	-
	9,194	19,801	(3,267)	(74,006)
Administration/Corporate	43,832	167,044	(1,037,905)	(1,889,356)
Depreciation	-	-	(30,751)	(28,310)
Consolidated revenue	53,026	186,845		
Profit/(Loss) before income tax			(1,071,923)	(1,991,672)
Income tax benefit			(33,567)	(1,877)
Profit/(Loss) for period			(1,105,490)	(1,993,549)

The revenue reported above represents revenue generated from financial institutions and management fees from 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 Managing Director for the purposes of resources allocation and assessment of segment performance.

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

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 1/07/2010 $	Exploration Expenditure $	Recoupment of historical capitalised exploration expenditure	Foreign translation movement	Impairment $	Closing Balance 31/12/2010 $
Continuing Operations						
Australia (ex Paralana)	125,755	7,276	-	-	(3,267)	129,764
Paralana Project	15,008,936	-	(163,517)	-	-	14,845,419
Spain	2,548,575	90,017	(214,687)	(142,538)	-	2,281,367
Total segment assets	17,683,266	97,293	(378,204)	(142,538)	(3,267)	17,256,550
Other						
Administration/Corporate (i)	4,615,479					3,204,591
	22,298,745					20,461,141

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

3. ISSUED CAPITAL

	Consolidated As at 31-Dec-10 $	Consolidated As at 30-Jun-10 $
Issued capital		
Fully paid ordinary shares	28,860,433	27,434,757
	28,860,433	27,434,757

	2010 Number	2010 $
Balance at beginning of period	111,711,583	27,434,757
Shares issued via placement	15,040,000	1,504,000
Transaction costs on share issue (net of tax)	-	(78,324)
Balance at end of financial year	126,751,583	28,860,433

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

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 2010. In the half year a grant of share options was made to Petratherm Ltd personnel.

The terms and conditions of the grant made during the six months ended 31 December 2010 as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of options
	1,535,000	On Issue	5 years

Fair value at grant date	$0.072
Share price	$0.13
Exercise price	$0.20
Expected volatility	73.53%
Risk-free interest rate	4.68%

5. SUBSEQUENT EVENTS

On the 31st January 2011 Petratherm issued 1,460,000 share options to Employees and Company Secretary as an incentive in accordance with the Company's Employee Share Option Plan.

On the 11th February 2011 Petratherm announced a general meeting of shareholders to be held on the 15th March 2011 to approve the issue of 15,040,000 placement shares issued in December 2010.

On the 17th February 2011 the Company and its Joint Venture partners announced the following results of Stage 1 of the Injectivity test:

- Successful fracturing of rock during injection trial.
- Sensitive monitoring equipment detected over 140 microseismic events during the injection. These events are 10,000 times smaller than seismic events felt in earthquakes.
- Events associated with the injection extended in excess of 300 metres from the wellbore.
- Main stimulation scheduled for mid to late March 2011.
- Apparent connection to over-pressured zone to be confirmed during main stimulation.

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

6. CONTINGENT LIABILITIES
There has been no change in contingent liabilities since the last reporting date.

7. GOING CONCERN BASIS OF ACCOUNTING

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

During the six months ended 31 December the Group recorded a net outflow of cash from operating and investing activities of $1,269,115 and an operating loss of $1,105,490.

The forward looking cash flow projections of the Group indicate that it is reliant on the completion of further 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 interim financial report. No allowance for such circumstances has been made in the interim 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 2010 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

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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 2010, 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 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Petratherm 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 2010 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material 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 and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP

Chartered Accountants

J L Humphrey

Partner

Adelaide, 16 March 2011