

OPTION TERMS AND CONDITIONS

FINAL
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1. DEFINITIONS AND INTERPRETATION**1.1 Definitions**

In these Terms, unless the contrary intention appears:

"**ASX**" means Australian Stock Exchange Limited and includes any body corporate which may hereafter succeed to the powers, functions and duties of Australian Stock Exchange Limited;

"**Board**" means the directors acting as the board of directors of the Company;

"**Business Day**" means a day on which the stock market of ASX is open for trading securities;

"**Certificate**" means the certificate issued by the Company to the Holder in respect of Options;

"**Company**" means Petratherm Ltd ACN 106 806 884;

"**Exercise Price**" means (subject to these Terms) the sum of twenty cents (\$0.20) (being the subscription price per Share payable by the Holder on exercise of an Option);

"**Expiry Date**" means midnight on the day preceding the 5th anniversary of the Issue Date;

"**Holder**" means the person who holds an Option from time to time;

"**Issue Date**" means the date on which the Options are issued to the Holder;

"**Listing Rules**" means the Official Listing Rules of ASX;

"**Option**" means an Option to subscribe for a Share;

"**Shares**" means fully paid ordinary shares in the capital of the Company;

"**Terms**" means these Option Terms and Conditions;

1.2 Interpretation

In these Terms, unless the contrary intention appears:

- (a) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;

- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all genders; and
- (d) an expression defined in, or given a meaning for the purposes of, the *Corporations Act* or the Listing Rules has the same meaning where used in these Terms.

2. TRANSFERABLE

Subject to any restriction agreement entered into by the Holder pursuant to the Listing Rules, Options are freely transferable.

3. EXERCISE OF OPTIONS

3.1 Subject to these Terms, Options may be exercised at any time during the period commencing after the Issue Date and ending on the Expiry Date.

3.2 Options not exercised on or before the Expiry Date will automatically lapse.

3.3 Options may only be exercised by notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by:

- (a) the Exercise Price for the number of Options specified in the notice; and
- (b) the Certificate for those Options, for cancellation by the Company.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque).

3.4 Subject to clause 3.2, within 10 Business Days after the notice referred to in clause 3.3 becomes effective (or within such lesser period (if any) as may be required by the Listing Rules), the Board must:

- (a) allot and issue the number of Shares specified in the notice to the Holder;
- (b) cancel the Certificate for the Options being exercised; and
- (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.

4. QUOTATION

- 4.1 The Company will not apply for official quotation by ASX of any Options.
- 4.2 If the Company's Shares have been granted official quotation by ASX, the Company must apply for official quotation of all Shares allotted pursuant to the exercise of Options not later than 10 Business Days after the date of allotment (or within such lesser period (if any) as may be required by the Listing Rules).

5. SHARES ALLOTTED ON EXERCISE OF OPTIONS

All Shares allotted upon exercise of Options rank *pari passu* in all respects with Shares previously issued and, in particular, entitle the Holder to participate fully in:

- 5.1 dividends determined by the Company after the date of allotment; and
- 5.2 all issues of securities made or offered to holders of Shares.

6. DEATH OF HOLDER

If at any time prior to the Expiry Date of any Options the Holder dies, the deceased Holder's legal personal representative may:

- 6.1 elect to be registered as the new Holder of the deceased Holder's Options;
- 6.2 whether or not he becomes so registered, exercise those Options as if it were the Holder of them in accordance with these Terms; and
- 6.3 if the deceased Holder had already given the Company a notice of exercise of his Options, pay the Exercise Price in respect of those Options.

7. ENTITLEMENT TO PARTICIPATE IN FUTURE ISSUES AND ADJUSTMENTS

7.1 New Issues

The Holder may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least nine Business Days' notice (or such greater period of notice (if any) as may be required by the Listing Rules) to the Holder of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

7.2 Bonus Issues

If there is a bonus share issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). Upon issue the Bonus Shares will rank pari passu in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

7.3 Pro Rata Issue

If there is a pro rata issue (other than a Bonus Issue) to the holders of Shares, the Exercise Price of an Option will be reduced according to the following formula:

$$A = \frac{O - E[P - (S+D)]}{N + 1}$$

A = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of Shares into which one Option is exercisable.

P = the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises, if any).

S = the subscription price for a security under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

7.4 Reorganisation of Capital

If, prior to the expiry or lapse of any Options, there is a reorganisation of the issued capital of the Company, the rights of the Holders of those Options will be changed to the extent necessary to comply with the Listing Rules.

7.5 Advice

In accordance with the Listing Rules, the Company must give notice to the Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe or to the Exercise Price pursuant to the provisions of clauses 7.2, 7.3 or 7.4.

Notice of Exercise of Options

To: The Directors of Petratherm Ltd

I/We _____ being the registered holders of [] Options, each to acquire an ordinary fully paid share in the capital of Petratherm Ltd at a price of \$[] per share payable in full on the exercise date, hereby give notice of exercise of [] Options and attach hereto my/our cheque in the sum of \$[]. I/We agree to my/our name being placed on the Register of Members in respect of the number of shares allotted and agree to be bound by the Constitution of Petratherm Ltd.

Usual Signature(s) _____ Date: _____

NB Joint holders must all sign. Corporations must execute in manner authorised by the *Corporations Act 2001*.