

PETRATHERM LIMITED
ACN 106 806 884

NOTICE OF GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Date of Meeting
2 March 2012

Time of Meeting
11.00 am (SA time)

Place of Meeting
HLB Mann Judd
169 Fullarton Road
Dulwich SA 5065

**NOTICE OF GENERAL MEETING
PETRATHERM LIMITED
ACN 106 806 884**

Notice is hereby given that a General Meeting of shareholders of Petratherm Limited will be held at 11.00 am (SA time) on 2 March 2012 at the offices of HLB Mann Judd, 169 Fullarton Road, Dulwich, South Australia to consider and, if thought fit, pass the following resolution as an ordinary resolution:

Resolution 1: Grant of options to Mr Terry Kallis (and/or his nominee)

‘That, for the purposes of section 208 of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 500,000 options to Mr Terry Kallis (and/or his nominee) on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.’

DATED 30 January 2012
By order of the Board



Donald Stephens
Company Secretary

NOTES:

1. Definitions

Terms used in this Notice which are defined in the Explanatory Memorandum which is attached to and forms part of this Notice have the meanings ascribed to them therein.

2. Voting Entitlement

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Company (as convenor of the Meeting) has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of shareholders as at 7.00 pm (SA time) on 29 February 2012. This means that any shareholder registered at 7.00 pm (SA time) on 29 February 2012 is entitled to attend and vote at the Meeting.

3. Voting Exclusion Statement

For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 1 if:

- (a) the person is either:
 - (i) a member of the Key Management Personnel for the company or, if the company is part of a consolidated entity, for the entity; or
 - (ii) a Closely Related Party of a member of the Key Management Personnel for the company or, if the company is part of a consolidated entity, for the entity; and
- (b) the appointment does not specify the way the proxy is to vote on the resolution.

However the above does not apply if:

- (a) the person is the chair of the meeting at which the resolution is voted on; and
- (b) the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the company or, if the company is part of a consolidated entity, for the entity.

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolution 1 by Mr Terry Kallis or an associate of Mr Kallis.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Chair intends to vote all available proxies in favour of Resolution 1.

4. **Proxies**

A shareholder wishing to vote on the resolution contained in this Notice should either attend in person, or appoint a proxy or proxies to attend or vote on the shareholder's behalf. A proxy form is enclosed with this Notice. The proxy or proxies do not need to be a shareholder of the Company. A shareholder that is a body corporate may appoint a representative to attend in accordance with the Corporations Act.

A shareholder entitled to attend and to cast two or more votes is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes able to be cast by the appointing shareholder.

The proxy form (and any power of attorney under which it is signed) must be received at the address below not later than 11.00 am (SA time) on 29 February 2012 (being 48 hours before the commencement of the meeting). Any proxy forms received after that time will not be valid for the meeting.

Completed proxy forms should be sent to the Company's share registrar, Computershare Investor Services Pty Ltd as follows:

By mail: Petratherm Limited
 C/- Computershare Investor Services Pty Ltd
 GPO Box 242
 MELBOURNE VIC 3001
 Australia

By fax: Petratherm Limited
 C/- Computershare Investor Services Pty Ltd
 (within Australia) 1800 783 447
 (outside Australia) +61 3 9473 2555

Online: www.investorvote.com.au

Custodian voting: For Intermediary Online subscribers only
 www.intermediaryonline.com

5. **Proxy Voting**

New sections 250BB and 250BC of the Corporations Act took effect on 1 August 2011 and apply to voting by proxy on or after 1 August 2011 (whether or not the proxy was appointed before, on or after that date). Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

More details on these changes is provided below.

Proxy vote if appointment specifies way to vote

Section 250BB provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (that is, as directed);
- if the proxy has two or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (that is, as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (that is, as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC provides that if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members;
- the appointed proxy is not the chair of the meeting;
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

6. Corporate Representative

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and / or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening a General Meeting of shareholders of Petratherm Limited to be held on 2 March 2012. This Explanatory Memorandum is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Resolution 1: Grant of options to Mr Terry Kallis (and/or his nominee)

On 21 December 2011 the Board resolved, subject to obtaining shareholder approval, to grant, allot and issue 500,000 options to Mr Terry Kallis (and/or his nominee), each to acquire one new ordinary share in the Company with an exercise price, rounded up to the next whole cent, 40% above the volume weighted average price of the Company's shares calculated over the last five days before the date shareholder approval for the grant of the options is given and an exercise period expiry date of the fifth anniversary after the date of grant.

The options will be granted as a key component of Mr Kallis' remuneration in order to retain his services and provide incentive linked to the performance of the Company.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr Kallis is a director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:

- Subject to shareholder approval, it is proposed that Mr Kallis (and/or his nominee) will be granted 500,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to grant the options to Mr Kallis as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. It is further considered that the performance of Mr Kallis and the performance and value of the Company will be closely related. As such, the options to be granted will only be of benefit if Mr Kallis performs to the level whereby the value of the Company increases sufficiently to warrant exercising the options.
- No funds will be raised by the grant of the options as they are being granted for no consideration. Each option proposed to be granted entitles Mr Kallis (and/or his nominee) to subscribe for one new ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified above. Shares issued on exercise of the options will rank equally in all respects with the existing fully paid ordinary shares in the Company.
- The terms and conditions of the options are set out in annexure to this Explanatory Memorandum.
- A valuation of the options has been conducted. The valuation imputes a total value of the options to be issued to Mr Kallis (and/or his nominee) at \$28,000. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied the Black-Scholes valuation methodology together with the following assumptions:
 1. a volatility index of 75.14% based on the historic volatility of the Company's shares;

2. the share price on the issue date has been estimated at \$0.11, being the 30 day volume weighted closing price to 13 January 2012, being the day immediately before the date this Notice was lodged at ASIC;
 3. for the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiry date; and
 4. a risk free rate of 3.31% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued to Mr Kallis (and/or his nominee) under Resolution 1 (assuming that shareholders pass Resolution 1):

Current shares issued	148,731,583
Shares issued assuming all existing options are exercised	9,065,000
Shares issued assuming exercise of all the options referred to in Resolution 1	500,000
Total shares	158,296,583
Dilution effect	1.00%

- The market price of shares in the Company would normally determine whether or not Mr Kallis (and/or his nominee) will exercise the options. If the options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded closing market price of the shares quoted on ASX during the 12 month period ending on 13 January 2012 (being the day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.235 on 11 July 2011
Lowest	\$0.080 on 21 June 2011
Last	\$0.10 on 13 January 2012

- In addition to the options proposed to be issued to Mr Kallis (and/or his nominee), for the financial year ended 30 June 2011 Mr Kallis received remuneration (including superannuation) totalling \$297,043.
- Mr Kallis is also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that he properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.
- The current share and option holdings of Mr Kallis and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Kallis	270,480	Nil	1,400,000	1,000,000

- The share and option holdings of Mr Kallis and his associates if Resolution 1 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Kallis	270,480	Nil	1,400,000	1,500,000

- The Directors (other than Mr Kallis) do not have an interest in the outcome of Resolution 1 and recommend that shareholders vote in favour of Resolution 1.
- If Resolution 1 is passed, the options to be issued to Mr Kallis (and/or his nominee) will be issued not later than one month after the date of the Meeting.

The Chair intends to vote all available proxies in favour of Resolution 1.

Glossary

In this Explanatory Memorandum unless the context otherwise requires:

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ACN 008 624 691;

ASX Listing Rules means the official listing rules of ASX;

Board means the board of directors of the Company;

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth);

Company means Petratherm Limited ACN 106 806 884;

Corporations Act means *Corporations Act 2001* (Cth);

Directors means the directors of the Company;

Key Management Personnel has the same meaning as in the accounting standards (so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise, of the Company);

Meeting means the meeting of shareholders convened by the Notice; and

Notice means the notice of general meeting to which this Explanatory Memorandum is attached.

ANNEXURE
TERMS AND CONDITIONS OF OPTIONS

1. Each option entitles the holder to one ordinary share in the Company.
2. Each of the options will be exercisable at a price, rounded up to the next whole cent, 40% above the volume weighted average price of the Company's shares calculated over the last five days before the date shareholder approval for the grant of options is given.
3. Each option is exercisable in whole or in part at any time during the period commencing on the date of issue and expiring on the date being five years after the date of issue (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per option in cleared funds.
5. The Company will not apply to ASX for official quotation of the options.
6. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
7. Options may be transferred in the form commonly used for the transfer of options at any time until the expiry of the Exercise Period, subject to any restrictions that may be imposed by ASX.
8. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the 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 prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
10. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

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

Where:


- A = the new exercise price of the option;
- O = the old exercise price of the option;
- E = the number of underlying ordinary shares into which one option is exercisable;
- P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
- S = the subscription price for a security under the pro rata issue;
- D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.


11. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

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Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
 Computershare Investor Services Pty Limited
 GPO Box 242 Melbourne
 Victoria 3001 Australia

Alternatively you can fax your form to
 (within Australia) 1800 783 447
 (outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
 (custodians) www.intermediaryonline.com

For all enquiries call:
 (within Australia) 1300 556 161
 (outside Australia) +61 3 9415 4000

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number:

SRN/HIN:



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 11:00am (Adelaide time) Wednesday 29 February 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage of votes or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
 or turn over to complete the form** →

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Petratherm Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Petratherm Limited to be held at the offices of HLB Mann Judd, 169 Fullarton Road, Dulwich SA 5065 on Friday, 2 March 2012 at 11:00am (Adelaide time) and at any adjournment of that meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of item 1 of business. If the Chairman of the Meeting is your proxy (or becomes your proxy by default), you authorise the Chairman to exercise your proxy on Item 1 even though the item is connected directly or indirectly with the remuneration of a member of key management personnel.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

	For	Against	Abstain
Item 1 Grant of options to Mr Terry Kallis (and/or his nominee)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of item 1 of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____ / ____ / ____