

PETRATHERM LIMITED
ACN 106 806 884

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Date of Meeting
29 November 2018

Time of Meeting
10.00 am (Adelaide time)

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

NOTICE OF ANNUAL GENERAL MEETING

PETRATHERM LIMITED ACN 106 806 884

Notice is hereby given that the Annual General Meeting of shareholders of Petratherm Limited (**Company**) will be held at HLB Mann Judd, 169 Fullarton Road, Dulwich, South Australia at 10.00 am (Adelaide time) on 29 November 2018.

Ordinary Business

To consider the Financial Statements for the financial year ended 30 June 2018 and accompanying reports of the Directors and Auditor.

Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That the Company adopt the Remuneration Report for the year ended 30 June 2018 as set out in the Company’s Annual Report for the year ended 30 June 2018.’

Resolution 2: Re-election of Derek Carter as Director

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That Mr Derek Carter, being a Director who was appointed since the last annual general meeting of the Company, retires pursuant to rule 9.2 of the Constitution and being eligible, and offering himself, for re-election, is re-elected as a Director with effect immediately following the conclusion of the meeting.’

Resolution 3: Re-election of Simon O’Loughlin as Director

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That Mr Simon O’Loughlin, having voluntarily retired in accordance with rule 6.1 of the Constitution and being eligible, and offering himself, for re-election, is re-elected as a Director with effect immediately following the conclusion of the meeting.’

Resolution 4: Approval of 10% Placement Facility

To consider and, if thought fit, pass, with or without amendment, the following resolution as a **special resolution**:

‘That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.’

Resolution 5: Approval of Employee Share Option Plan

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, for the purpose of Listing Rule 7.2, Exception 9 and all other purposes, the Company approves the issue of securities under the employee incentive option scheme for employees known as ‘Petratherm Limited Employee Share Option Plan’, the rules of which are annexed as Annexure A to the Explanatory Memorandum, as an exception to Listing Rule 7.1.’

DATED 26 OCTOBER 2018

**BY ORDER OF THE BOARD
PETRATHERM LIMITED**

A handwritten signature in cursive script, appearing to read "Donald Stephens".

**DONALD STEPHENS
COMPANY SECRETARY**

NOTES:

1. Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting and should be read in conjunction with this Notice of Annual General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in both this Notice of Annual General Meeting and the Explanatory Memorandum.

2. Voting Exclusion Statements

(a) Resolution 1

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (i) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (ii) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (ii) the person is the chair of the meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - 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.

(b) Resolution 4

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of a person (and any associates of such a person) who is expected to participate in the 10% Placement Facility and a person (and any associates of such a person) who will obtain a material benefit as a result of the proposed issue, except a benefit solely by reason of being a holder of ordinary shares.

However, the Company will not disregard a vote if:

- (i) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- (ii) 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.

(c) Resolution 5

- (i) For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 5 if:
 - the person is either:

- a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
- a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and
 - 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.
- (ii) For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 5 by or on behalf of any Director of the Company (except one who is ineligible to participate in the Petratherm Limited Employee Share Option Plan) and any associates of that Director of the Company.

However, subject always to paragraph 2(c)(i) above, the Company will not disregard a vote if:

- it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- 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.

3. Proxies

A shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. If the shareholder is entitled to cast two or more votes at the Meeting the shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To record a valid vote, a shareholder will need to take the following steps:

- 3.1 cast the shareholder's vote online by visiting www.investorvote.com.au and entering the shareholder's Control Number, SRN/HIN and PIN, which are shown on the first page of the enclosed proxy form; or
- 3.2 complete and lodge the manual proxy form at the share registry of the Company, Computershare Investor Services Pty Limited:
 - (a) by post at the following address:

Computershare Investor Services Pty Limited
 GPO Box 242
 MELBOURNE VIC 3001

OR

(b) by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or

3.3 for Intermediary Online subscribers only (custodians), cast the shareholder's vote online by visiting www.intermediaryonline.com,

so that it is received no later than 10.00 am (Adelaide time) on 27 November 2018.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on either or both of Resolutions 1 and 5 even though they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on either or both of Resolutions 1 and 5 by marking the appropriate box on the proxy form.

The chair intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the chair may change his or her voting intention on any resolution, in which case an ASX announcement will be made.

4. **'Snap Shot' Time**

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snapshot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Directors have determined that all shares of the Company that are quoted on ASX as at 7.00 pm (Adelaide time) on 27 November 2018 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

5. **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 the Notice convening the Annual General Meeting of shareholders of Petratherm Limited to be held on 29 November 2018. 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.

Other than the information set out in this Explanatory Memorandum, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1 to 5 (inclusive).

1. RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

The Annual Report for the year ended 30 June 2018 contains a Remuneration Report which sets out the remuneration policy of the Company.

An electronic copy of the 2018 Annual Report is available to download or view on the Company's website at www.petratherm.com.au/reports.html. The 2018 Annual Report has also been sent by post to those shareholders who have previously elected to receive a hard copy. In addition, the Company has also enabled online voting, details of which are explained on the proxy form.

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 1 is advisory only and, subject to the matters outlined below, will not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy.

Section 250R(4) of the Corporations Act prohibits a vote on this resolution being cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, under section 250R(5) of the Corporations Act a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (b) the person is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) 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.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 1 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the

chair to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box on the proxy form.

The chair intends to vote undirected proxies in favour of Resolution 1.

Resolution 1 is an ordinary resolution.

Please also note that under sections 250U and 250V of the Corporations Act, if at two consecutive annual general meetings of a listed company at least 25% of votes cast on a resolution that the remuneration report be adopted are against adoption of the report, at the second of these annual general meetings there must be put to the vote a resolution that another meeting be held within 90 days at which all directors (except the managing director) who were directors at the date the remuneration report was approved at the second annual general meeting must stand for re-election. So, in summary, shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the Remuneration Report receives 'two strikes'. The Remuneration Report did not receive a 'first strike' at the Company's 2017 annual general meeting.

2. **RESOLUTION 2: RE-ELECTION OF DEREK CARTER AS DIRECTOR**

Rule 9.2 of the Constitution requires that any Director appointed by the Board, either to fill a casual vacancy or as an addition to the Board, holds office only until the termination of the next annual general meeting of the Company and is eligible for re-election at that annual general meeting.

The Board appointed Mr Derek Carter as an addition to the Board after the Company's last Annual General Meeting. Accordingly, Mr Carter retires pursuant to rule 9.2 of the Constitution and, being eligible, offers himself for re-election.

A resume for Mr Carter follows:

Derek Carter BSc, MSc, FAusIMM(CP)

Mr Carter has over 40 years' experience in exploration and mining geology and management. He held senior positions in the Shell Group of Companies and Burmine Ltd before founding Minotaur Gold Ltd in 1993.

Mr Carter is a former President of the South Australian Chamber of Mines and Energy, former board member of the Australian Gold Council, is a member of the South Australian Minerals and Energy Advisory Council and the South Australian Minerals and Energy Council, and a former Chairman of the Minerals Exploration Advisory Group. He was awarded AMEC's Prospector of the Year Award (jointly) in 2003 and is a Centenary Medallist.

Resolution 2 is an ordinary resolution.

The Directors (other than Mr Carter) recommend that shareholders vote in favour of Resolution 2.

The chair intends to vote undirected proxies in favour of Resolution 2.

3. **RESOLUTION 3: RE-ELECTION OF SIMON O'LOUGHLIN AS DIRECTOR**

In accordance with rule 6.1 of the Constitution at every annual general meeting one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one third (excluding those who retire under rule 9.2 of the Constitution) must retire from office and are eligible for re-election. Accordingly, Mr Simon

O'Loughlin retires as a Director of the Company and, being eligible, offers himself for re-election.

A resume for Mr O'Loughlin follows:

Simon O'Loughlin BA (Acc), Law Society Certificate in Law

Mr O'Loughlin is the founder of O'Loughlins Lawyers, an Adelaide based, specialist commercial law firm. He has extensive experience in the corporate and commercial law fields while practising in Sydney and Adelaide, and also holds accounting qualifications.

Mr O'Loughlin has extensive experience and involvement with companies in the small industrial and resources sectors. He has also been involved in the listing and back-door listing of numerous companies on the ASX. He is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

Resolution 3 is an ordinary resolution.

The Directors (other than Mr O'Loughlin) recommend that shareholders vote in favour of Resolution 3.

The chair intends to vote undirected proxies in favour of Resolution 3.

4. RESOLUTION 4: APPROVAL OF 10% PLACEMENT FACILITY

4.1 General

Listing Rule 7.1A enables an eligible entity to issue Equity Securities up to 10% of its issued ordinary share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the eligible entity's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities which may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 4.2(c)).

4.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue the following classes of Equity Securities:

- ordinary shares quoted on ASX
- options not quoted on ASX

(c) **Formula for calculating 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 10% Placement Period (refer to section 4.2(f)), a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement:

- plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid ordinary shares that became fully paid in the 12 months;
- plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of ordinary shares under Listing Rules 7.1 and 7.4;
- less the number of fully paid ordinary shares cancelled in the 12 months.

(Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.)

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 171,001,652 ordinary shares and therefore has a capacity to issue:

- (i) 25,650,247 Equity Securities under Listing Rule 7.1; and
- (ii) subject to shareholder approval being obtained under Resolution 4, 17,100,165 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the

Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 4.2(c)).

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within five Trading Days of the date referred to in section 4.2(e)(i), the date on which the Equity Securities are issued.

(f) **10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and
- (ii) the date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

4.3 **Listing Rule 7.1A**

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period in addition to using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of at least 75% of the votes cast by shareholders entitled to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative) on the Resolution.

4.4 **Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities in the same class over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within five Trading Days of the date in section 4.4(a)(i), the date on which the Equity Securities are issued.

- (b) There is a risk that:
- (i) the market price for the Company's Equity Securities in the same class may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities in the same class on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the risk of voting dilution of existing shareholders on the basis of the current market price of shares and the current number of ordinary shares for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary shares the Company has on issue. The number of ordinary shares on issue may increase as a result of issues of ordinary shares that do not require shareholder approval (for example, a pro rata entitlements issue) or future specific placements under Listing Rule 7.1 that are approved at a future shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary shares has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in formula in Listing Rule 7.1A.2		Issue Price		
		\$0.02 50% decrease in issue price	\$0.04 issue price	\$0.08 100% increase in issue price
Current Variable 'A' 171,001,652 shares	10% voting dilution	17,100,165 shares	17,100,165 shares	17,100,165 shares
	Funds raised	\$342,003	\$684,007	\$1,368,013
50% increase in current Variable 'A' 256,502,478 shares	10% voting dilution	25,650,248 shares	25,650,248 shares	25,650,248 shares
	Funds raised	\$513,005	\$1,026,010	\$ 2,052,020
100% increase in current Variable 'A' 342,003,304 shares	10% voting dilution	34,200,330 shares	34,200,330 shares	34,200,330 shares
	Funds raised	\$684,007	\$1,368,013	\$ 2,736,026

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - No current options are exercised into shares before the date of the issue of the Equity Securities.
 - The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements pursuant to the 10% Placement Facility, based on that shareholder's holding at the date of the Meeting.
 - The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A and no other issues of Equity Securities.
 - The issue of Equity Securities under the 10% Placement Facility consists only of shares.
 - The issue price is \$0.040, being the closing price of the shares on ASX on 4 October 2018.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as referred to in the Note to Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards funding new projects or joint ventures and/or general working capital.
- (e) The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.
- (f) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities and the number of Equity Securities allotted to each will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:
- (i) the methods of raising funds that are available to the Company including, but not limited to, rights issue or other issue in which the existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;

- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments or the nominee of such vendors.

- (g) The Company did not obtain shareholder approval under Listing Rule 7.1A at its last annual general meeting.
- (h) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing shareholder's votes will therefore be excluded under the voting exclusion statement in the Notice.

Resolution 4 is a **special resolution**.

The Directors recommend that shareholders vote in favour of Resolution 4.

The chair intends to vote undirected proxies in favour of Resolution 4.

5. **RESOLUTION 5: APPROVAL OF EMPLOYEE SHARE OPTION PLAN**

The Company currently has in place the Petratherm Limited Employee Share Option Plan (**Plan**) under which employees may be offered the opportunity to receive options to subscribe for shares in the Company in order to increase the range of potential incentives available to them and to strengthen links between the Company and its employees.

The Plan is designed to provide incentives to the employees of the Company and to recognise their contribution to the Company's success. Under the Company's current circumstances the Directors consider that options are a cost effective and efficient means of incentivising employees. To enable the Company to secure employees who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Plan is designed to achieve this objective by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

Under the Plan, the Board may offer to eligible persons the opportunity to receive such number of options in the Company as the Board may decide and on terms set out in the rules of the Plan, a copy of which is contained in Annexure A to this Explanatory Memorandum. Options granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

Listing Rule 7.1 restricts the number of shares and options a listed entity can issue in any 12 month period without shareholder approval. Listing Rule 7.2 contains a number of exceptions to Listing Rule 7.1. In particular, Exception 9(b) of Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within three years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

As the Company last approved the issue of securities under the Plan for the purposes of Listing Rule 7.2, Exception 9 at its 2015 AGM, the purpose of Resolution 5 is to seek approval of the issue of securities under the Plan for the purposes of Listing Rule 7.2, Exception 9 and for all other purposes.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) a copy of the rules of the Plan is contained in Annexure A to this Explanatory Memorandum;
- (b) 1,000,000 options have been issued under the Plan since the date of its last approval; and
- (c) a voting exclusion statement has been included for the purpose of Resolution 5.

Resolution 5 is an ordinary resolution.

As the Directors are excluded from voting on this resolution they do not wish to make a recommendation as to how shareholders ought to vote in respect of the resolution.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 5 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 5 by marking the appropriate box on the proxy form.

The chair intends to vote undirected proxies in favour of Resolution 5.

6. GLOSSARY

In this Explanatory Memorandum and Notice of Annual General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

10% Placement Facility has the meaning given in section 4.1;

10% Placement Period has the meaning given in section 4.2(f);

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ACN 008 624 691;

Board means the board of directors of the Company;

Closely Related Party of a member of the Key Management Personnel for an entity 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 as such by the *Corporations Regulations 2001* (Cth);

Company means Petratherm Limited ACN 106 806 884;

Constitution means the existing constitution of the Company;

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

Director means a director of the Company;

Equity Securities has the same meaning as in the Listing Rules;

Key Management Personnel has the same meaning as in the accounting standards as defined in section 9 of the Corporations Act (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);

Listing Rules means the listing rules of ASX;

Meeting means the meeting of shareholders convened by the Notice;

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

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules; and

VWAP means volume weighted average market price.

Annexure A

Petratherm Limited Employee Share Option Plan

ANNEXURE "A"

PETRATHERM LIMITED: EMPLOYEE SHARE OPTION PLAN

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these Terms unless the contrary intention appears:

"Applicable Law" means any one or more or all, as the context requires of:

- (a) Corporations Act and the Corporations Regulations;
- (b) Listing Rules;
- (c) the constitution of the Company;
- (d) any practice note, policy statement, class order, declaration, guideline, policy or procedure pursuant to the provisions of which either ASIC or ASX is authorised or entitled to regulate, implement or enforce, either directly or indirectly, the provisions of any of the foregoing statutes, regulations or rules or any conduct of any duly authorised person, pursuant to any of the abovementioned statutes, regulations or rules.

"ASIC" means the Australian Securities and Investments Commission.

"Associate" has the same meaning as is ascribed to that term in Sections 12 to 16 (inclusive) of the Corporations Act.

"ASX" means the ASX Limited ACN 008 624 691.

"Auditor" means the registered auditor of the Company as appointed from time to time.

"Business Day" means any day upon which major trading banks operating in the city in which the Company carries on its central administration and financial operations, carry on their normal business operations.

"Certificate" means the certificate for the Options issued by the Company to a Participant.

"Company" means Petratherm Limited ACN 106 806 884.

"Company Secretary" means the secretary of the Company (or his delegate) as appointed from time to time.

"Corporations Act" means the Corporations Act 2001 (Commonwealth).

"Directors" means the Directors for the time being of the Company.

"Eligible Employee", "Eligible Associate", "Eligible Person" have the meanings ascribed to those terms in clause 13.

"Exercise" means an exercise effected under clause 6.

"Exercise Date" means the date upon which an Option is Exercised in accordance with clause 6.1.

"Exercise Notice" means a notice given under clause 6.1 and in the form of Schedule 1.

"Exercise Period" means in relation to a particular grant of Options, the period beginning on the date determined in accordance with the provisions of clause 5.3 and ending on the date of the fifth anniversary of the Issue Date of those Options or as otherwise determined by the Directors at the Relevant Date.

"Exercise Price" means the price at which an Option may be Exercised in accordance with clause 3.2(b), as varied in accordance with clause 10.2 and clause 11.2.

“**Issue Date**” means the date upon which Options are issued to an Eligible Person pursuant to this Plan.

“**Listing Rules**” means the official listing rules of ASX, as varied from time to time.

“**Loan Period**” means in respect of each loan the period determined under clause 14.

“**Loan Share**” means a Plan Share acquired with a Loan which has not been repaid in full in respect of that Plan Share.

“**Loans**” means loans made pursuant to clause 14 and includes any interest, fees or other charges accrued on that loan or any part thereof.

“**Market Price**” means:

- (a) the average weighted sale price of a Share for the five (5) trading days preceding the relevant date on which this price is to be determined, upon each of which any Shares were traded on the ASX;
- (b) if there has been no trading in the Shares during the five (5) trading days immediately preceding the relevant date on which this price is to be determined, the last sale price of ordinary shares of the Company recorded on the ASX; or
- (c) if Shares of that class are not traded on the ASX, the arm’s length value of the Share as specified in a written report prepared by the Auditor in relation to valuing the Share.

“**Offer**” means an Offer of Options by the Directors to an Eligible Person pursuant to this Plan.

“**Option**” means an option over Plan Shares granted pursuant to the Plan.

“**Option Price**” means the amount payable for an Option as determined in accordance with clause 3.2(a).

“**Participant**” means an Eligible Employee, Eligible Associate or Eligible Person to whom Options have been issued pursuant to the Plan.

“**Performance Conditions**” means one or more conditions (if any), as determined by the Directors under clause 5.2 and notified to a Participant in the Offer, which must be satisfied or waived by the Directors before an Option may be Exercised.

“**Permitted Nominee**” has the meaning given to it by clause 4.3.

“**Plan**” means the Employee Share Option Plan for the Company established in accordance with these Terms.

“**Plan Share**” means a Share in the capital of the Company issued upon Exercise of an Option or in respect of which an Option has been granted.

“**Related Body Corporate**” has the same meaning as is ascribed to that term in Section 50 of the Corporations Act.

“**Relevant Date**” means the date on which the Directors resolve to offer an Option or such other date as the Directors determine.

“**Share**” means an ordinary share in the issued capital of the Company.

“**Share Registry**” means the share registry of the Company from time to time.

“**Terms**” means these general terms and conditions, as varied from time to time.

1.2 Interpretation

In these Terms, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;
- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (e) headings are included for convenience only and do not affect interpretation;
- (f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (g) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (h) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (i) a reference to a part, Clause, party, annexure, exhibit or Schedule is a reference to an item of that type in these Terms and includes a reference to the provisions or terms of that part, clause, annexure, exhibit or Schedule;
- (j) a reference to these Terms includes each annexure, exhibit and a Schedule to these Terms;
- (k) a reference to a party to this document includes the party's successors and permitted assigns and includes any person to whom these Terms are novated;
- (l) a reference to a statute or statutory provision includes but is not limited to:
 - (1) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (2) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (3) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (m) a reference to a document is a reference to a document of any kind including but not limited to an agreement in writing, a certificate, a notice, or an instrument;
- (n) reference to "S", "AS", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;
- (o) a covenant, representation, warranty or an agreement between more than one person binds them jointly and severally;
- (p) a provision of these Terms is not to be construed against a party solely on the ground that the party is responsible for the preparation of these Terms or a particular provision;
- (q) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise;
- (r) a reference to liquidation includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding up, dissolution, assignment for

the benefit of creditors, scheme composition or arrangement of creditors, insolvency, bankruptcy or any similar procedure or if applicable changes in the constitution of a partnership or the death of a person;

- (s) a reference to a body which is not a party to these Terms which ceases to exist or whose power or function is transferred to another body, is a reference to the body which replaces or substantially succeeds to the power or function of the first body.

1.3 Business Day and Day

- (a) If these Terms require that the day on which a thing must be done is a day which is not a Business Day, then that thing must be done on or by the preceding Business Day.
- (b) If an event occurs on a day which is not a Business Day, or occurs later than 5.00 p.m. local time at the place that the event occurs, then the event is deemed to have occurred on the next Business Day in the place that the event occurs.
- (c) A reference to a day is a reference to a time period which begins at midnight and ends 24 hours later.
- (d) A reference to a period of time unless specifically written otherwise, excludes the first day of that period.

1.4 Incorporation of Schedules

The schedule to these Terms is incorporated by reference in these Terms but if there is any inconsistency between the schedule and any provision of these Terms, the provision of these Terms will prevail to the extent of the inconsistency.

2. DIRECTORS' AUTHORITY

- 2.1 The Directors will establish and administer the Plan in accordance with these Terms set out below and, subject to any Applicable Law, will have the absolute discretion and power to:
 - (a) determine appropriate procedures for administration of the Plan;
 - (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan or these Terms;
 - (c) delegate to any one or more persons for such period and subject to such conditions as they may determine, the exercise of their powers or discretions, or of any of them, under these Terms; and
 - (d) alter, modify, add to or repeal any of these Terms, even where such alteration, modification, addition or repeal:
 - (1) will or may adversely affect, whether materially or otherwise, any existing right or entitlement of a Participant or otherwise disadvantage an existing Participant; and
 - (2) occurs either during or after the expiry of the Exercise Period and irrespective of whether or not the Options, or the Plan Share or Plan Shares that have been issued to a Participant pursuant to the Exercise of an Option, have or would have otherwise fully vested in that Participant.
- 2.2 The Directors undertake to each Participant that the powers and rights available to them under clause 2.1(d) will not be exercised in a capricious, malicious or unreasonable manner.
- 2.3 Subject to the Terms of the Plan, the Directors may from time to time in their absolute discretion determine those Eligible Persons to whom an offer to participate in the Plan will be made and the terms of such an offer.

3. OPTIONS, OPTION PRICE AND EXERCISE PRICE

- 3.1 Subject to the terms of the Plan, the Directors may determine from time to time to grant Options upon such terms and to such Eligible Persons as they see fit.
- 3.2 Unless otherwise determined by the Directors:
- (a) the Option Price will be nil; and
 - (b) the Exercise Price will be the amount determined by the Directors on the Relevant Date and specified in an Offer; and
 - (c) the Directors will notify the Participants in writing of the Exercise Price of an Option at the time of making an Offer.

4. OFFER OF OPTIONS

- 4.1 Subject to these Terms, the Company (acting through the Directors) may make an Offer at such times and on such terms as the Directors consider appropriate. Each Offer must state:
- (a) that the Eligible Person to whom it is addressed may accept the whole or any lesser number of Options offered. The Offer may stipulate a minimum number of Options and any multiple of such minimum or any other number which may be accepted;
 - (b) the period within which the Offer may be accepted and the Exercise Period;
 - (c) the method of calculation of the Exercise Price; and
 - (d) any other matter which the Directors may determine or is required under any Applicable Law.
- 4.2 Upon receipt of an Offer of Options, an Eligible Person may, within the period specified in the Offer:
- (a) accept the whole or any lesser number of Options offered by notice in writing to the Directors; or
 - (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the Offer by notice in writing to the Directors. The Directors may, in their absolute discretion, resolve not to allow such renunciation of an Offer in favour of a nominee without giving any reason for such decision.
- 4.3 Upon:
- (a) receipt of the acceptance referred to in paragraph 4.2(a); or
 - (b) the Directors resolving to allow a renunciation of an Offer in favour of a nominee ("Permitted Nominee") and the Permitted Nominee accepting the whole or any lesser number of Options offered by notice in writing to the Directors,
- the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Terms and will be issued Options subject to these Terms.
- 4.4 Certificates for Options will be dispatched within ten (10) Business Days after their Issue Date.
- 4.5 If Options are issued to a Permitted Nominee of an Eligible Person, the Eligible Person must, without limiting any provision in these Terms, ensure that the Permitted Nominee complies with these Terms.

5. VESTING AND ENTITLEMENT

- 5.1 At the time of making an Offer of Options, the Directors may impose such vesting conditions (if any) as they consider appropriate.
- 5.2 At the time of making an Offer of Options, the Directors may impose such Performance Conditions (if any) as they consider appropriate.
- 5.3 No Option can be Exercised until:
- (a) it has vested under the vesting conditions (if any) applicable to the Option in accordance with clause 5.1 or the vesting conditions have been waived by Directors; and
 - (b) the Performance Conditions (if any) applicable to the option in accordance with clause 5.2 have been satisfied or waived by the Directors.
- 5.4 Once an Option is able to be exercised in accordance with clause 5.3, it:
- (a) may be Exercised during the Exercise Period; and
 - (b) entitles the Participant to subscribe for and be allotted, credited as fully paid, one (1) Plan Share at the Exercise Price.
- 5.5 Notwithstanding the Terms, while the Shares are listed on the ASX, the Company must allot and issue Plan Shares upon Exercise of an Option in accordance with the Applicable Laws.
- 5.6 Plan Shares issued upon the Exercise of Options will rank equally with all existing Shares in the capital of the Company from their respective issue date.

6. EXERCISE OF OPTIONS

- 6.1 An Option is Exercised by:
- (a) the Participant lodging with the Company an Exercise Notice;
 - (b) the receipt by the Company of a payment by or on behalf of a Participant and in immediately available funds, of the Exercise Price for each of the Options the subject of such Exercise Notice; and
 - (c) the Participant lodging with the Company the Certificate for those Options, for cancellation by the Company.
- 6.2 Subject to clause 6.1, within fifteen (15) Business Days after the Exercise of an Option in accordance with the provisions of clause 6.1, the Directors must:
- (a) allot and issue the number of Plan Shares specified in the Exercise Notice to the Participant;
 - (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 Exercise Notice.
- 6.3 Subject to the provisions of clause 6.4, Exercise of some only of the Options held by a Participant does not prevent Exercise of any remaining vested unExercised Options.
- 6.4 Options may not be Exercised in parcels of less than 1,000. Holders of less than 1,000 Options may not Exercise those Options in part.
- 6.5 Notwithstanding any other provision of this clause 6 or clause 5 but subject to the written consent of the Directors, all Options may be Exercised:
- (a) during a Bid Period;

- (b) at any time after a Change of Control Event has occurred; or
- (c) if, on an application under Section 411 of the Corporations Act, a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

“**Bid Period**”, in relation to an off-market bid or a market bid in respect of shares, means the period referred to in the definition of that expression in Section 9 of the Corporations Act, provided that where a bid is publicly announced prior to the service of a bidder’s statement on the Company, the bid period shall be deemed to have commenced at the time of that announcement.

“**Change of Control Event**” means if an entity not having Control of the Company, the event pursuant to which that entity acquires Control of the Company.

“**Control**” has the meaning ascribed to that term in Section 50AA of the Corporations Act.

7. LAPSE OF OPTIONS

7.1 Subject to clause 5.3, if the Participant is a Director, an Option may be Exercised by that Participant at any time prior to the first to occur of:

- (a) the expiry of the Exercise Period;
- (b) the expiry of thirty (30) days after the Participant ceases to be a Director; and
- (c) a determination by the Directors that the Participant has acted fraudulently, dishonestly or in breach of the Participant’s obligations to the Company and that the Option is to be forfeited.

If such a Participant fails, for any reason, to Exercise all the Options registered in his name prior to such occurrence, those Options that the Participant would have been entitled to Exercise and that have not been Exercised, and any right or entitlement of a Participant to have those Options vested in that Participant, will lapse and be of no further force or effect.

7.2 If a resolution of a general meeting of the Company to remove a Participant as a Director is passed, that Participant may only Exercise a proportion of the Options that are registered in that Participant’s name as is equal to the proportion that the period from the Issue Date of those Options to the date of passage of the abovementioned resolution bears to the Exercise Period and the balance of those Options will be wholly and unconditionally forfeited, lapse and be of no further force or effect upon and from the date of passage of the abovementioned resolution.

7.3 Unless otherwise determined by the Directors and subject to clause 5.3, if a Participant is an employee, an Option may be Exercised by that Participant at any time prior to the first to occur of:

- (a) the expiry of the Exercise Period;
- (b) the expiry of thirty (30) days after termination of the Participant’s employment where such termination has either been voluntary on the Participant’s part or otherwise has occurred without cause; and
- (c) termination of the Participant’s employment with cause.

If such a Participant fails, for any reason, to Exercise all the Options registered in his name prior to such occurrence, those Options that the Participant would have been entitled to Exercise and that have not been Exercised, and any right or entitlement of a Participant to have those Options vested in that Participant, will lapse and be of no further force or effect.

8. TRANSFER

Except with the consent of Directors, Options may not be transferred and will not be quoted on or by the ASX. The Directors may in their discretion allow the transfer of Options to an Associate or Related Body Corporate of a Participant.

9. QUOTATION OF PLAN SHARES

The Company will apply to the ASX for official quotation of Plan Shares issued on the Exercise of Options, if the Company is, at the time of issue of those Plan Shares, admitted to the official list of the ASX.

10. PARTICIPATION IN FUTURE ISSUES

10.1 New Issues

Holders 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 Holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

10.2 Bonus Issue

If there is a bonus issue to the holders of the underlying securities, the number of securities over which the Option is exercisable may be increased by the number of securities which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

10.3 Rights Issue

- (a) If the Company makes an offer of Shares equally to all holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Plan Shares have been allotted in respect of an Option before the record date for determining entitlements to the rights issue then the Exercise Price is to be adjusted using the formula set out in paragraph (b) in order to provide the Participant with the bonus element which may be present in a pro-rata rights issue. There is to be no change in the number of Plan Shares to which the Participant is entitled. To this effect, on a rights issue, the Exercise Price is to be reduced by the value of the theoretical rights entitlement received in relation to each Share.
- (b) The theoretical value of the rights entitlement received in relation to each Share is to be calculated using the following formula:

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

where:

O' = the new Exercise Price;

O = the old Exercise Price;

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

P = the value of a Share at the time the pro-rata rights issue is made as determined by an accountant independent of the Company, but if the Shares are listed on the ASX, the Market Price on each of five (5) trading days ending on the day immediately before the record date relevant for that rights issue;

S = the subscription price for a Share under the pro rata issue;

D = any dividend due but not yet paid on existing Shares which will not be payable in respect of new Shares issued under the rights issue;

N = the number of Shares with rights or entitlements that must be held to receive a right to one (1) new Share.

10.4 Aggregation

If Options are Exercised simultaneously then the Participant may aggregate the number of Plan Shares or fractions of Plan Shares to which the Participant is entitled to subscribe under those Options. Fractions in the aggregate number only will be disregarded in determining the total entitlement to subscribe.

10.5 Advice

The Company must give notice to the Participant of any adjustment it may make to either the number of Plan Shares which the Participant is entitled to subscribe for on Exercise of an Option or the Exercise Price, so as to comply with the Applicable Laws.

11. RECONSTRUCTION

11.1 In the event of any reconstruction of the issued ordinary capital of the Company, the entitlement to Plan Shares attaching to each Option will be reconstructed in accordance with the Listing Rules.

11.2 In particular, if at any time or from time to time during the period in which the Options may be Exercised (as set out in clauses 6 and 7 of these Terms):

- (a) the Company consolidates its Shares, the number of Options to which the Participant is entitled must be reduced in the same proportion as the number of Shares is reduced under that consolidation and the Exercise Price must be increased in the inverse proportion;
- (b) the Company subdivides its Shares, the number of Options to which the Participant is entitled must be increased in the same proportion as the number of Shares is increased under that sub-division and the Exercise Price must be reduced in the inverse proportion;
- (c) the Company returns any capital to the holders of Shares (other than on a cancellation of Shares), the number of Options to which the Participant is entitled is to remain the same and the Exercise Price must be reduced by the same proportion as the amount returned in relation to each Share;
- (d) the Company reduces its capital by a cancellation of paid up capital that is lost or not represented by available assets and there is no cancellation of Shares, the number of Options to which the Participant is entitled and the Exercise Price remain the same;
- (e) the Company returns any capital to the holders of Shares upon a cancellation of Shares, the number of Options to which the Participant is entitled is to be reduced in the same proportion as the number of Shares is reduced under that cancellation and the Exercise Price is to be adjusted by increasing the Exercise Price in the inverse proportion;
- (f) the Company cancels Shares without returning any capital to the holders of those Shares, the number of Options to which the Participant is entitled must be reduced in the same proportion as the total number of cancelled Shares bears to the total number of Shares immediately before that cancellation and the Exercise Price is to be increased in the inverse proportion;
- (g) the Company issues further shares other than pursuant to a rights issue, there is no adjustment,

provided that, in any case, each Option will entitle the Participant to subscribe for Plan Shares ranking equally with the ordinary Shares on issue after the reconstruction.

11.3 If Options are Exercised simultaneously then the Participant may aggregate the number of Plan Shares or fractions of Plan Shares which the Participant is entitled to subscribe for under those Options. Fractions in the aggregate number only will be disregarded in determining the total entitlement to subscribe.

12. MAXIMUM NUMBER

The aggregate maximum number of Options that may be granted in any five (5) year period under this Plan and under any other employee share or option plan of the Company (but disregarding for the purpose of calculating the maximum number any options offered or issued, or share issued, by way of or as a result of:

- (a) an offer to a person situated at the time of receipt of the offer outside Australia; or
- (b) an offer that did not need disclosure to investors because of Section 708 of the Corporations Act)

must not exceed five per cent (5%) of the total number of Shares on issue in the capital of the Company at the time of the relevant grant of Options.

13. ELIGIBLE PERSONS

13.1 "Eligible Employee" means:

- (a) a person who is engaged in the full time employment of the Company or a Related Body Corporate of the Company and includes any Director holding a salaried employment or office in the Company or a Related Body Corporate of the Company; and
- (b) any person acquiring and holding any Plan Share or Options for the benefit of any such employee (other than any employee who is a Director), provided that the Plan Share and Options are acquired and held on such terms and conditions as have been previously approved by the Directors, including, without limitation, any trustee of a trust established by the Company to hold Plan Shares or Options for the benefit of such employees.

13.2 "Eligible Associate" means:

- (a) any Director, including non-executive Director or officer, of the Company; and
- (b) (without limiting the subsequent paragraphs of this definition) any person or entity acquiring and holding any Plan Share for the benefit of any Eligible Employee who is a Director or officer of the Company at the time of such acquisition or any person referred to in clause 13.2(a), and provided that the Plan Share is acquired and held on such terms and conditions as have been previously approved by the Directors.

13.3 An Eligible Employee may also be an Eligible Associate.

13.4 "Eligible Persons" means Eligible Employees and Eligible Associates.

14. LOANS

14.1 Subject to the terms of the Plan, the Directors may from time to time determine that the Company makes loans to Eligible Employees in connection with Plan Shares to be issued pursuant to the Exercise of Options under the Plan.

14.2 No Loans shall be made to persons other than Eligible Employees.

14.3 Loans may be made for the Exercise Price payable upon Exercise of Options issued under the Plan and on such terms and conditions as the Directors see fit.

14.4 A Participant who accepts a Loan in respect of some or all of the Plan Shares pursuant to clause 14.1, will upon and by such acceptance, irrevocably authorise the Company to apply the Loan on behalf of the Participant by way of payment of the Exercise Price of the Plan Shares in respect of which the Loan was accepted and the payment of any duties payable by the Participant in respect of the Loan.

14.5 The Loan Period is the period commencing when the Loan is made and ending on the first to occur of the following dates:

- (a) the Participant ceasing to be employed by the Company or a Related Body Corporate of the Company;

- (b) the Company agreeing to sell the Loan Shares as requested by an Eligible Employee in accordance with clause 16.2; or
 - (c) the Loan being repaid in full.
- 14.6 A Participant may repay all or part of a Loan at any time before the expiration of the Loan Period.
- 14.7 Unless otherwise determined by the Directors and subject to clause 14.8, the Company will apply and each Participant will, by virtue of their acceptance of the Loan, be deemed to have irrevocably directed the Company to so apply all dividends paid in cash on the Plan Shares towards repayment of the Loan.
- 14.8 The amount of the dividend applied pursuant to clause 14.7 shall not exceed the after tax value of the dividends computed on the assumption that the Participant is assessable to tax at the highest personal marginal rate of income tax in Australia applicable to Australian residents (including for this purpose the Medicare Levy but not the Medicare Surcharge) on the whole of the dividend and after allowing for any franking rebate to which the Participant is entitled in relation to the dividend.
- 14.9 Without restricting the discretion of the Directors, Loans may be made on terms and conditions which provide that:
- (a) no interest or a less than commercial rate of interest be payable in respect of the Loan;
 - (b) the interest payable on the Loan may be variable and may vary in accordance with the length of employment of the Eligible Employee either before or during the term of the Loan;
 - (c) where the Exercise Price paid pursuant to the Exercise of Options has been financed in whole or in part by the provision of a Loan by the Company to a Participant, that Participant will encumber in favour of, and lodge with, the Company or its nominee as security for repayment of the Loans all its right title and interest in the Plan Shares that have been issued to the Participant as a result of such Exercise; or
 - (d) the total amount of principal and interest repayable under the Loan be limited to the proceeds of the sale of Plan Shares acquired with the Loan less any costs of sales.

15. RIGHTS ATTACHING TO LOAN SHARES

- 15.1 Subject to clauses 14.7 and 14.8, a Participant is entitled to all dividends declared or paid on the Loan Shares held by the Participant.
- 15.2 A Participant is entitled to any bonus Shares which accrue to Loan Shares held by the Participant in accordance with clause 10.1.
- 15.3 Upon allotment of the bonus Shares to the Participant, any bonus Shares which accrued to Loan Shares are deemed, for the purposes of the Plan, to be Loan Shares until such time as the Loans in respect of the Loan Shares to which the bonus Shares accrued had been repaid in full.

16. RESTRICTION ON TRANSFER OF LOAN SHARES

- 16.1 Other than as provided by these Terms:
- (a) a Participant must not sell, encumber or otherwise deal with a Loan Share prior to the repayment of the Loan used to acquire that Loan Share; and
 - (b) the Company must not register or permit the Share Registry to register a transfer of a Loan Share until the Loan used to acquire that Loan Share has been repaid and for that purpose the Company may do such things and enter into such arrangements with the Share Registry or otherwise as it considers necessary to enforce such restrictions on the transfer of a Loan Share and Participants will be bound by such arrangements.

- 16.2 A Participant who holds a Loan Share may request the Company in writing to sell that Loan Share on behalf of the Participant and apply the proceeds in accordance with clause 6.5.
- 16.3 For the purpose of the sale of the Loan Shares pursuant to clause 16.2, the Participant will be deemed to have irrevocably appointed, as a result of that Participant's request pursuant to clause 16.2, the Company Secretary as that Participant's agent and attorney to sign all documents and do all acts necessary to sell the Loan Shares and account for the proceeds in accordance with clause 16.5 and shall indemnify the Company Secretary and the Company in respect of all costs, damages or losses arising from the sale of the Loan Shares.
- 16.4 The Company and the Company Secretary will have complete discretion in respect of the sale of the Loan Shares under this clause 16 and will not be liable to the Participant in respect of the timing of or price obtained on or any other circumstances relating to such sale.
- 16.5 Upon the Company selling the Loan Shares in accordance with a request made by a Participant in accordance with clause 16.2:
- (a) the proceeds of the sale will be applied in the following order:
 - (1) in payment of any costs and expenses of the sale incurred by the Company;
 - (2) in reduction of the outstanding amount of the Loan;
 - (3) the balance (if any) in payment to the Participant; and
 - (b) subject to the terms of a Loan as determined in accordance with the provisions of clause 14.9(d) if applicable, the Participant shall be liable to the Company for any shortfall between the proceeds of such sale and the outstanding amount of the Loan.
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17. LOAN NOT REPAID

- 17.1 If the Participant has not repaid the outstanding amount of a Loan at the end of the Loan Period, the Company may, at its discretion, on behalf of the Participant, sell the Loan Shares and apply the proceeds in accordance with clause 17.4.
- 17.2 For the purpose of the sale of the Loan Shares pursuant to clause 17.1, the Participant will be deemed to have irrevocably appointed, as a result of that Participant's acceptance of the issue of the Loan Shares, the Company Secretary as that Participant's agent and attorney to sign all documents and do all acts necessary to sell the Loan Shares and account for the proceeds in accordance with clause 17.4 and shall indemnify the Company Secretary and the Company in respect of all costs, damages or losses arising from the sale of the Loan Shares.
- 17.3 The Company and the Company Secretary will have complete discretion in respect of the sale of the Loan Shares under clause 17.1 and will not be liable to the Participant in respect of the timing of or price obtained on or any other circumstances relating to such sale.
- 17.4 If the Company sells the Loan Shares in accordance with clause 17.1:
- (a) the proceeds of the sale will be applied in the following order:
 - (1) in payment of any costs and expenses of the sale incurred by the Company; and
 - (2) in reduction of the outstanding amount of the Loan; and
 - (3) the balance (if any) in payment to the Participant; and
 - (b) subject to the terms of a Loan as determined in accordance with the provisions of clause 14.9(d) if applicable, the Participant shall be liable to the Company for any shortfall between the proceeds of such sale and the outstanding amount of the Loan.
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18. ATTORNEY

For the avoidance of doubt the Participant, in consideration of the grant of the Loan and by virtue of that Participant's acceptance of any or all Loan Shares, will be deemed to have irrevocably appointed the person who from time to time occupies the position of Company Secretary, that Participant's attorney to complete and execute any documents including share transfers and to do all acts or things in his name on his behalf which may be convenient or necessary for the purpose of giving effect to the provisions of clauses 16 and 17 of this Plan and the Participant covenants that the Participant shall ratify and confirm any act or thing done pursuant to this power and shall indemnify the attorney (or their delegate) and the Company in respect thereof.

19. NOTICES

Notices must be given by the Company to the Participant in the manner prescribed by the constitution of the Company for the giving of notices to members of the Company and the relevant provisions of the constitution of the Company apply with all necessary modifications to notices to any Participant.

20. RIGHT TO ACCOUNTS

Participants will be sent all reports and accounts required to be laid before members of the Company in general meeting and all notices of general meetings of members but, unless otherwise entitled, will not have any right to attend or vote at those meetings.

21. OVERRIDING RESTRICTIONS ON GRANT AND EXERCISE

- 21.1 Notwithstanding any other provision of these Terms, all rights and entitlements attaching to an Option or of a Participant under this Plan will be changed or amended to the extent necessary to comply with the Listing Rules that apply to a reorganisation of the capital of the Company, at the time that that re-organisation becomes effective.
- 21.2 No Option may be Exercised if to do so would contravene the Applicable Laws.
- 21.3 Without limitation to the provisions of this clause 21:
- (a) the Option terms and conditions must allow the rights of a Participant to comply with the Listing Rules applying to a reorganisation of capital of the Company at the time of the reorganisation; and
 - (b) subject to the provisions of clause 21.3(a), any reorganisation of capital of the Company must not be done in a manner or with the effect that will prejudice the rights or interests, or the value of the rights or interests, of Participants in the Options they hold, immediately prior to the time of any such reorganisation.

22. RIGHT OF PARTICIPANTS

Nothing in these Terms:

- (a) confers on a Participant the right to receive any Shares;
- (b) confers on a Participant who is a Director the right to continue as a Director;
- (c) confers on a Participant the right to continue as an employee of the Company or a Related Body Corporate of the Company;
- (d) affects any rights which the Company, or a Related Body Corporate of the Company, may have to terminate the appointment of a Participant who is a Director or terminate the employment of an employee; or
- (e) may be used to increase damages in any action brought against the Company or a Related Body Corporate in respect of any such termination.

23. TERMINATION AND SUSPENSION OF THE PLAN

The Directors may resolve at any time to terminate or suspend the operation of the Plan.

24. GOVERNING LAW


The Plan is governed by and shall be construed and take effect in accordance with the laws of South Australia.

25. SHAREHOLDER APPROVAL

Clauses 14 to 18 only come into effect on the passing of an appropriate Shareholders' resolution to authorise the granting of financial assistance to a Participant.

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

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 <p>Vote and view the annual report online</p> <ul style="list-style-type: none"> • Go to www.investorvote.com.au or scan the QR Code with your mobile device. • Follow the instructions on the secure website to vote. 	
<p>Your access information that you will need to vote:</p> <p>Control Number:</p> <p>SRN/HIN:</p> <p>PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.</p>	

 **For your vote to be effective it must be received by 10:00am (Adelaide time) Tuesday 27 November 2018**

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 or abstain as they choose (to the extent permitted by law). 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 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 help tab, "Printable 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

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I/We being a member/s of Petratherm Ltd 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, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Petratherm Limited to be held at HLB Mann Judd, 169 Fullarton Road, Dulwich SA 5065 on Thursday 29 November 2018 at 10:00am (Adelaide Time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Items 1 and 5** (except where I/we have indicated a different voting intention below) even though **Items 1 and 5** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Items 1 and 5** by marking the appropriate box in step 2 below.

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
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Derek Carter as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Simon O'Loughlin as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

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 / /