

PETRATHERM LIMITED
ACN 106 806 884

NOTICE OF GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Date of Meeting
2 June 2010

Time of Meeting
11.00 am (SA time)

Place of Meeting
Balcony Room 1, Level 1, Hilton Hotel, 233 Victoria Square, Adelaide SA 5000

**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 June 2010 at the Balcony Room 1, Level 1, Hilton Hotel, 233 Victoria Square, Adelaide, South Australia to consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

Resolution 1: Subsequent approval of the issue of 10,947,320 ordinary shares

‘That for the purpose of ASX Listing Rule 7.4 and for all other purposes, approval be and is hereby given to the allotment and issue by the Company of 10,947,320 ordinary shares on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.’

Resolution 2: Subsequent approval of the issue of 3,214,000 ordinary shares

‘That, for the purpose of ASX Listing Rule 7.4 and all other purposes, approval be and is hereby given to the allotment and issue by the Company of 3,214,000 ordinary shares on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.’

Resolution 3: Approval of issue of 1,000,000 options to Mr Terry Kallis

‘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 1,000,000 options to Mr Terry Kallis (or his nominee) on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.’

Resolution 4: Approval of issue of 600,000 options to Mr Derek Carter

‘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 600,000 options to Mr Derek Carter (or his nominee) on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.’

Resolution 5: Approval of issue of 450,000 options to Mr Richard Bonython

‘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 450,000 options to Mr Richard Bonython (or his nominee) on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.’

Resolution 6: Approval of issue of 450,000 options to Mr Simon O’Loughlin

‘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 450,000 options to Mr Simon O’Loughlin (or his nominee) on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.’

Resolution 7: Approval of issue of 450,000 options to Dr Richard Hillis

‘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 450,000 options to Dr Richard Hillis (or his nominee) on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.’

Resolution 8: Approval of issue of 450,000 options to Mr Lewis Owens

‘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 450,000 options to Mr Lewis Owens (or his nominee) on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.’

Resolution 9: Approval of issue of 200,000 options to Dr Richard Hillis

‘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 200,000 options to Dr Richard Hillis (or his nominee) on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.’

DATED 29 April 2010

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 Exclusion Statements

2.1 Resolution 1

The Company will disregard any votes cast on Resolution 1 by persons who participated in the issue of shares referred to in Resolution 1 and associates of those persons.

2.2 Resolution 2

The Company will disregard any votes cast on Resolution 2 by persons who participated in the issue of shares referred to in Resolution 2 and associates of those persons.

2.3 Resolution 3

The Company will disregard any votes cast on Resolution 3 by Mr Terry Kallis or an associate of Mr Kallis.

2.4 Resolution 4

The Company will disregard any votes cast on Resolution 4 by Mr Derek Carter or an associate of Mr Carter.

2.5 Resolution 5

The Company will disregard any votes cast on Resolution 5 by Mr Richard Bonython or an associate of Mr Bonython.

2.6 Resolution 6

The Company will disregard any votes cast on Resolution 6 by Mr Simon O'Loughlin or an associate of Mr O'Loughlin.

2.7 Resolution 7

The Company will disregard any votes cast on Resolution 7 by Dr Richard Hillis or an associate of Dr Hillis.

2.8 Resolution 8

The Company will disregard any votes cast on Resolution 8 by Mr Lewis Owens or an associate of Mr Owens.

2.9 Resolution 9

The Company will disregard any votes cast on Resolution 9 by Dr Richard Hillis or an associate of Dr Hillis.

2.10 **All Resolutions**

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.

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.

4. **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 31 May 2010. This means that any shareholder registered at 7.00 pm (SA time) on 31 May 2010 is entitled to attend and vote at the Meeting.

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 a Notice convening a General Meeting of shareholders of Petratherm Limited to be held on 2 June 2010. 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: Subsequent approval of the issue of 10,947,320 ordinary shares

By letter dated 18 March 2010 the Company invited eligible shareholders to participate in its share purchase plan (**Share Purchase Plan**) by purchasing up to \$15,000 worth of fully paid ordinary shares at \$0.24 per share.

The Share Purchase Plan closed on 9 April 2010. The Company raised \$3,361,000 under the Share Purchase Plan, having received applications for a total of 14,003,910 shares.

ASX Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of ordinary securities of the company on issue at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting unless an exception in ASX Listing Rule 7.2 applies.

ASX Listing Rule 7.2 Exception 15 allows a company to issue shares under a share purchase plan. This exception is however available only once in any 12 month period provided that certain conditions are met, including a limit on the number of shares which may be issued under the share purchase plan.

Because the Company conducted a share purchase plan in April 2009 (that is, it has conducted two share purchase plans in a 12 month period), it obtained a waiver from ASX that the total number of shares that may be issued under all share purchase plans undertaken by the Company during the 12 months after the record date for the share purchase plan undertaken in April 2009 must not be greater than 30% of the number of fully paid shares on issue as at the record date of the April 2009 share purchase plan.

Given the number of shares the Company issued under its April 2009 share purchase plan:

- (a) 3,056,590 of the shares issued under the Share Purchase Plan will be issued within the 30% limited referred to in the waiver; and
- (b) the remaining 10,947,320 shares under the Share Purchase Plan will be issued under ASX Listing Rule 7.1

ASX Listing Rule 7.4 provides that an issue of equity securities made without shareholder approval under ASX Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1 if:

- the issue did not breach ASX Listing Rule 7.1; and
- holders of ordinary securities subsequently approve it.

The issue of 10,947,320 ordinary shares under the Share Purchase Plan (**Share Purchase Plan Shares**) did not result in the Company breaching the 15% limit referred to in ASX Listing Rule 7.1. The issue of the Share Purchase Plan Shares does not therefore depend upon shareholders passing Resolution 1. The purpose of Resolution 1 is to seek shareholder approval to the issue of the Share Purchase Plan Shares under ASX Listing Rule 7.4. If shareholders approve the issue of the Share Purchase Plan Shares for the purpose of ASX Listing Rule 7.4, the issue of the Share Purchase Plan Shares will not count towards determining the number of equity securities which the Company can

issue in any 12 month period. However, if shareholders do not approve the issue of the Share Purchase Plan Shares for the purpose of ASX Listing Rule 7.4, the issue of the Share Purchase Plan Shares will count towards the number of equity securities which the Company can issue in any 12 month period.

For the purpose of ASX Listing Rule 7.5 information regarding the Share Purchase Plan Shares is provided as follows:

1. 10,947,320 Share Purchase Plan Shares have been allotted.
2. The Share Purchase Plan Shares have been issued at an issue price of \$0.24 each.
3. The terms and conditions of the Share Purchase Plan Shares are the same as the terms and conditions of already issued fully paid ordinary shares in the Company.
4. The allottees of the Share Purchase Plan Shares are applicants for Share Purchase Plan Shares as determined by the Board.
5. Funds raised from the issue of the Share Purchase Plan Shares will be applied to fund on-going exploration and development of the Company's projects, in particular the Company's flagship Paralana project in South Australia and, in conjunction with the Italian company Enel Green Power SpA, the Company's Spanish projects, notably the Canary Islands.

The Directors recommend that shareholders vote in favour of Resolution 1.

Resolution 2: Subsequent approval of the issue of 3,214,000 ordinary shares

On 15 April 2010 the Company announced a placement of 3,214,000 ordinary shares (**Placement Shares**) at an issue price of \$0.24 per share to raise \$771,360. The Placement Shares were issued on or about 27 April 2010.

The issue of the Placement Shares did not result in the Company breaching the 15% limit referred to in ASX Listing Rule 7.1 (described above). The issue of the Placement Shares does not therefore depend upon shareholders passing Resolution 2. The purpose of Resolution 2 is to seek shareholder approval to the issue of the Placement Shares under ASX Listing Rule 7.4. If shareholders approve the issue of the Placement Shares for the purpose of ASX Listing Rule 7.4, the issue of the Placement Shares will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the Placement Shares for the purpose of ASX Listing Rule 7.4, the issue of the Placement Shares will count towards the number of equity securities which the Company can issue in any 12 month period.

For the purpose of ASX Listing Rule 7.5 information regarding the Placement Shares is provided as follows:

1. 3,214,000 Placement Shares have been allotted.
2. The Placement Shares have been issued at an issue price of \$0.24 each.
3. The terms and conditions of the Placement Shares are the same as the terms and conditions of already issued fully paid ordinary shares in the Company.
4. The allottees of the Placement Shares are applicants for Placement Shares as determined by the Board.

5. Funds raised from the issue of the Placement Shares will be used to further assist the Company in developing its Australian and Spanish operations through research, additional tenement acquisition and assessing the potential of geothermal sites.

The Directors recommend that shareholders vote in favour of Resolution 2.

Resolution 3: Approval of issue of 1,000,000 options to Mr Terry Kallis

On 5 January 2010, the Board resolved, subject to obtaining shareholder approval, to allot and issue 1,000,000 options to the Company's Managing Director, Mr Terry Kallis (or his nominee), each to acquire one new ordinary share in the Company. 500,000 of the options will be exercisable at a price, rounded up to the next whole cent, 40% above the closing price of the Company's shares on the date shareholder approval is granted and the remaining 500,000 of the options will be exercisable at a price, rounded up to the next whole cent, 65% above the closing price of the Company's shares on the date shareholder approval is granted. All of the options will have an exercise period commencing on the date shareholder approval is granted and expiring on 4 January 2015.

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 will be issued 1,000,000 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 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 A 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 (or his nominee) at \$146,500. 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 74.02% based on the historic volatility of the Company's shares;

2. the share price on the issue date has been estimated at \$0.26, being the 30 day volume weighted closing price to 16 April 2010, being the business 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 5.58% 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 under Resolution 3 assuming that shareholders pass Resolution 3:

Current shares issued	108,497,583
Shares issued assuming all existing options are exercised	4,615,000
Shares issued assuming exercise of all the options referred to in Resolution 3	1,000,000
Total shares	114,112,673
Dilution effect	0.88%

- The market price of shares in the Company would normally determine whether or not Mr Kallis (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 16 April 2010 (being the business day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.48 on 6 November 2009
Lowest	\$0.235 on 16 March 2010
Last	\$0.26 on 16 April 2010

- In addition to the options proposed to be issued to Mr Kallis (or his nominee), for the financial year ended 30 June 2009, Mr Kallis received remuneration (including superannuation) as follows:

Director	Total remuneration
Mr Kallis	\$280,000

- 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	150,480	Nil	1,400,000	Nil

- The share and option holdings of Mr Kallis and his associates if Resolution 3 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Kallis	150,480	Nil	1,400,000	1,000,000

- The Directors (other than Mr Kallis) do not have an interest in the outcome of Resolution 3 and recommend that shareholders vote in favour of Resolution 3.
- If Resolution 3 is passed, the options to be issued to Mr Kallis (or his nominee) will be issued not later than one month after the date of the Meeting.

Resolution 4: Approval of issue of 600,000 options to Mr Derek Carter

On 5 January 2010, the Board resolved, subject to obtaining shareholder approval, to allot and issue 600,000 options to Mr Derek Carter (or his nominee), each to acquire one new ordinary share in the Company. All of the options will be exercisable at a price, rounded up to the next whole cent, 40% above the closing price of the Company's shares on the date shareholder approval is granted. All of the options will have an exercise period commencing on the date shareholder approval is granted and expiring on 4 January 2015.

The options will be granted as a key component of Mr Carter's 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 Carter 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 Carter will be issued 600,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to grant the options to Mr Carter 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 Carter 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 Carter 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 Carter 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 B 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 Carter (or his nominee) at \$90,600. 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 74.02% based on the historic volatility of the Company's shares;
 2. the share price on the issue date has been estimated at \$0.26, being the 30 day volume weighted closing price to 16 April 2010, being the business 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 5.58% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued to Mr Carter under Resolution 4 assuming that shareholders pass Resolution 4:

Current shares issued	108,497,583
Shares issued assuming all existing options are exercised	4,615,000
Shares issued assuming exercise of all the options referred to in Resolution 4	600,000
Total shares	113,712,583
Dilution effect	0.53%

- The market price of shares in the Company would normally determine whether or not Mr Carter (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 16 April 2010 (being the business day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.48 on 6 November 2009
Lowest	\$0.235 on 16 March 2010
Last	\$0.26 on 16 April 2010

- In addition to the options proposed to be issued to Mr Carter (or his nominee), for the financial year ended 30 June 2009, Mr Carter received remuneration (including superannuation) as follows:

Director	Total remuneration
Mr Carter	\$54,500

- Mr Carter 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 Carter and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Carter	1,200,000	128,750	Nil	Nil

- The share and option holdings of Mr Carter and his associates if Resolution 4 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Carter	1,200,000	128,750	Nil	600,000

- The Directors (other than Mr Carter) do not have an interest in the outcome of Resolution 4 and recommend that shareholders vote in favour of Resolution 4.
- If Resolution 4 is passed, the options to be issued to Mr Carter (or his nominee) will be issued not later than one month after the date of the Meeting.

Resolution 5: Approval of issue of 450,000 options to Mr Richard Bonython

On 5 January 2010, the Board resolved, subject to obtaining shareholder approval, to allot and issue 450,000 options to Mr Richard Bonython (or his nominee), each to acquire one new ordinary share in the Company. All of the options will be exercisable at a price, rounded up to the next whole cent, 40% above the closing price of the Company's shares on the date shareholder approval is granted. All of the options will have an exercise period commencing on the date shareholder approval is granted and expiring on 4 January 2015.

The options will be granted as a key component of Mr Bonython's 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 Bonython 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 Bonython will be issued 450,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to grant the options to Mr Bonython 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 Bonython 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 Bonython 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 Bonython 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 B 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 Bonython (or his nominee) at \$67,950. 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 74.02% based on the historic volatility of the Company’s shares;
 2. the share price on the issue date has been estimated at \$0.26, being the 30 day volume weighted closing price to 16 April 2010, being the business 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 5.58% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued to Mr Bonython under Resolution 5 assuming that shareholders pass Resolution 5:

Current shares issued	108,497,583
Shares issued assuming all existing options are exercised	4,615,000
Shares issued assuming exercise of all the options referred to in Resolution 5	450,000
Total shares	113,562,583
Dilution effect	0.45%

- The market price of shares in the Company would normally determine whether or not Mr Bonython (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 16 April 2010 (being the business day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.48 on 6 November 2009
Lowest	\$0.235 on 16 March 2010
Last	\$0.26 on 16 April 2010

- In addition to the options proposed to be issued to Mr Bonython (or his nominee), for the financial year ended 30 June 2009, Mr Bonython received remuneration (including superannuation) as follows:

Director	Total remuneration
Mr Bonython	\$47,688

- Mr Bonython 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 Bonython and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Bonython	87,146	1,144,292	Nil	Nil

- The share and option holdings of Mr Bonython and his associates if Resolution 5 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Bonython	87,146	1,144,292	Nil	450,000

- The Directors (other than Mr Bonython) do not have an interest in the outcome of Resolution 5 and recommend that shareholders vote in favour of Resolution 5.
- If Resolution 5 is passed, the options to be issued to Mr Bonython (or his nominee) will be issued not later than one month after the date of the Meeting.

Resolution 6: Approval of issue of 450,000 options to Mr Simon O'Loughlin

On 5 January 2010, the Board resolved, subject to obtaining shareholder approval, to allot and issue 450,000 options to Mr Simon O'Loughlin (or his nominee), each to acquire one new ordinary share in the Company. All of the options will be exercisable at a price, rounded up to the next whole cent, 40% above the closing price of the Company's shares on the date shareholder approval is granted. All of

the options will have an exercise period commencing on the date shareholder approval is granted and expiring on 4 January 2015.

The options will be granted as a key component of Mr O'Loughlin's 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 O'Loughlin 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 O'Loughlin will be issued 450,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to grant the options to Mr O'Loughlin 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 O'Loughlin 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 O'Loughlin 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 O'Loughlin 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 B 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 O'Loughlin (or his nominee) at \$67,950. 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 74.02% based on the historic volatility of the Company's shares;
 2. the share price on the issue date has been estimated at \$0.26, being the 30 day volume weighted closing price to 16 April 2010, being the business 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 5.58% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued to Mr O'Loughlin under Resolution 6 assuming that shareholders pass Resolution 6:

Current shares issued	108,497,583
Shares issued assuming all existing options are exercised	4,615,000
Shares issued assuming exercise of all the options referred to in Resolution 6	450,000
Total shares	113,562,583
Dilution effect	0.40%

- The market price of shares in the Company would normally determine whether or not Mr O'Loughlin (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 16 April 2010 (being the business day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.48 on 6 November 2009
Lowest	\$0.235 on 16 March 2010
Last	\$0.26 on 16 April 2010

- In addition to the options proposed to be issued to Mr O'Loughlin (or his nominee), for the financial year ended 30 June 2009, Mr O'Loughlin received remuneration (including superannuation) as follows:

Director	Total remuneration
Mr O'Loughlin	\$38,150

- Mr O'Loughlin 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 O'Loughlin and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr O'Loughlin	220,833	137,500	Nil	Nil

- The share and option holdings of Mr O'Loughlin and his associates if Resolution 6 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr O'Loughlin	220,833	137,500	Nil	450,000

- The Directors (other than Mr O’Loughlin) do not have an interest in the outcome of Resolution 6 and recommend that shareholders vote in favour of Resolution 6.
- If Resolution 6 is passed, the options to be issued to Mr O’Loughlin (or his nominee) will be issued not later than one month after the date of the Meeting.

Resolution 7: Approval of issue of 450,000 options to Dr Richard Hillis

On 5 January 2010, the Board resolved, subject to obtaining shareholder approval, to allot and issue 450,000 options to Dr Richard Hillis (or his nominee), each to acquire one new ordinary share in the Company. All of the options will be exercisable at a price, rounded up to the next whole cent, 40% above the closing price of the Company’s shares on the date shareholder approval is granted. All of the options will have an exercise period commencing on the date shareholder approval is granted and expiring on 4 January 2015.

The options will be granted as a key component of Dr Hillis’ 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 Dr Hillis 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 Dr Hillis will be issued 450,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to grant the options to Dr Hillis 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 Dr Hillis 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 Dr Hillis 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 Dr Hillis 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 B 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 Dr Hillis (or his nominee) at \$67,950. 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 74.02% based on the historic volatility of the Company’s shares;
 2. the share price on the issue date has been estimated at \$0.26, being the 30 day volume weighted closing price to 16 April 2010, being the business 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 5.58% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued to Dr Hillis under Resolution 7 assuming that shareholders pass Resolution 7:

Current shares issued	108,497,583
Shares issued assuming all existing options are exercised	4,615,000
Shares issued assuming exercise of all the options referred to in Resolution 7	450,000
Total shares	113,562,583
Dilution effect	0.40%

- The market price of shares in the Company would normally determine whether or not Dr Hillis (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 16 April 2010 (being the business day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.48 on 6 November 2009
Lowest	\$0.235 on 16 March 2010
Last	\$0.26 on 16 April 2010

- In addition to the options proposed to be issued to Dr Hillis (or his nominee), for the financial year ended 30 June 2009, Dr Hillis received remuneration (including superannuation) as follows:

Director	Total remuneration
Dr Hillis	\$38,150

- Dr Hillis 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 Dr Hillis and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Hillis	100,000	82,500	200,000	Nil

- The share and option holdings of Dr Hillis and his associates if Resolution 7 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Hillis	100,000	82,500	200,000	450,000

- The share and option holdings of Dr Hillis and his associates if Resolutions 7 and 9 are passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Hillis	100,000	82,500	200,000	650,000

- The Directors (other than Dr Hillis) do not have an interest in the outcome of Resolution 7 and recommend that shareholders vote in favour of Resolution 7.
- If Resolution 7 is passed, the options to be issued to Dr Hillis (or his nominee) will be issued not later than one month after the date of the Meeting.

Resolution 8: Approval of issue of 450,000 options to Mr Lewis Owens

On 12 April 2010, the Board resolved, subject to obtaining shareholder approval, to allot and issue 450,000 options to Mr Lewis Owens (or his nominee), each to acquire one new ordinary share in the Company. All of the options will be exercisable at a price, rounded up to the next whole cent, 40% above the closing price of the Company's shares on the date shareholder approval is granted. All of the options will have an exercise period commencing on the date shareholder approval is granted and expiring on 4 January 2015.

The options will be granted as a key component of Mr Owens' 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 Owens 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 Owens will be issued 450,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to grant the options to Mr Owens 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 Owens 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 Owens 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 Owens 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 B 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 Owens (or his nominee) at \$67,950. 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 74.02% based on the historic volatility of the Company's shares;
 2. the share price on the issue date has been estimated at \$0.26, being the 30 day volume weighted closing price to 16 April 2010, being the business 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 5.58% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued to Mr Owens under Resolution 8 assuming that shareholders pass Resolution 8:

Current shares issued	108,497,583
Shares issued assuming all existing options are exercised	4,615,000
Shares issued assuming exercise of all the options referred to in Resolution 8	450,000
Total shares	113,562,583
Dilution effect	0.40%

- The market price of shares in the Company would normally determine whether or not Mr Owens (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 16 April 2010 (being the business day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.48 on 6 November 2009
Lowest	\$0.235 on 16 March 2010
Last	\$0.26 on 16 April 2010

- In addition to the options proposed to be issued to Mr Owens (or his nominee), for the financial year ended 30 June 2009, Mr Owens received remuneration (including superannuation) as follows:

Director	Total remuneration
Mr Owens	Nil

- Mr Owens 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 Owens and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Owens	Nil	Nil	Nil	Nil

- The share and option holdings of Mr Owens and his associates if Resolution 8 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Owens	Nil	Nil	450,000	Nil

- The Directors (other than Mr Owens) do not have an interest in the outcome of Resolution 8 and recommend that shareholders vote in favour of Resolution 8.
- If Resolution 8 is passed, the options to be issued to Mr Owens (or his nominee) will be issued not later than one month after the date of the Meeting.

Resolution 9: Approval of the issue of 200,000 options to Dr Richard Hillis

Dr Richard Hillis was appointed as a director of the Company on 1 March 2004. Dr Hillis is the State of South Australia Professor of Petroleum Geology and Mawson Professor of Geology and Geophysics at The University of Adelaide. His research expertise is in the area of subsurface stresses within the crust and their impact on petroleum exploration-related issues such as wellbore stability, fracture stimulation and subsurface fluid flow. Dr Hillis has undertaken 30 consulting projects for 16 oil companies, primarily in the area of subsurface stresses and has taught industry professionals short courses on the subject in Australia, Japan, Vietnam, Brunei and the United Kingdom. Dr Hillis, who has authored or co-authored 80 scientific papers and edited two books, heads a research group at The University of Adelaide, which includes post-doctoral and PhD students, researching crustal stress.

By Consultancy Agreement dated 6 June 2007 the Company agreed to engage Dr Hillis as a consultant. Pursuant to arrangements between the Company and Dr Hillis, the Company has agreed, subject to shareholder approval, that it will grant to Dr Hillis 200,000 options, each to acquire one new ordinary share in the Company. All of the options will be exercisable at a price, rounded up to the next whole cent, 40% above the closing price of the Company's shares on the date shareholder

approval is granted. All of the options will have an exercise period commencing on the date shareholder approval is granted and expiring on 4 January 2015.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Dr Hillis 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 Dr Hillis will be issued 200,000 options to subscribe for new ordinary shares in the Company.
- 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 Dr Hillis 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 B 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 Dr Hillis (or his nominee) at \$30,200. 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 74.02% based on the historic volatility of the Company's shares;
 2. the share price on the issue date has been estimated at \$0.26, being the 30 day volume weighted closing price to 16 April 2010, being the business 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 5.58% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued to Dr Hillis under Resolution 9 assuming that shareholders pass Resolution 9:

Current shares issued	108,497,583
Shares issued assuming all existing options are exercised	4,615,000
Shares issued assuming exercise of all the options referred to in Resolution 9	200,000
Total shares	113,312,583
Dilution effect	0.18%

- The market price of shares in the Company would normally determine whether or not Dr Hillis (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 16 April 2010 (being the business day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.48 on 6 November 2009
Lowest	\$0.235 on 16 March 2010
Last	\$0.26 on 16 April 2010

- In addition to the options proposed to be issued to Dr Hillis (or his nominee), for the financial year ended 30 June 2009, Dr Hillis received remuneration (including superannuation) as follows:

Director	Total remuneration
Dr Hillis	\$38,150

- Dr Hillis 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 Dr Hillis and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Hillis	100,000	82,500	200,000	Nil

- The share and option holdings of Dr Hillis and his associates if Resolution 9 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Hillis	100,000	82,500	200,000	200,000

- The share and option holdings of Dr Hillis and his associates if Resolutions 7 and 9 are passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Hillis	100,000	82,500	200,000	650,000

- The Directors (other than Dr Hillis) do not have an interest in the outcome of Resolution 9 and recommend that shareholders vote in favour of Resolution 9.
- If Resolution 9 is passed, the options to be issued to Dr Hillis (or his nominee) will be issued not later than one month after the date of the Meeting.

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;

Petratherm Limited or **Company** means Petratherm Limited ACN 106 806 884;

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

Directors means the directors 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 A

TERMS AND CONDITIONS OF OPTIONS TO BE GRANTED TO TERRY KALLIS (OR HIS NOMINEE)

1. Each option entitles the holder to one ordinary share in the Company.
2. 500,000 of the options will be exercisable at a price, rounded up to the next whole cent, 40% above the closing price of the Company's shares on the date shareholder approval for the grant of the options is given. The remaining 500,000 of the options will be exercisable at a price, rounded up to the next whole cent, 65% above the closing price of the Company's shares on the date shareholder approval for the grant of the options is given.
3. Each option is exercisable in whole or in part at any time during the period commencing on the date of shareholder approval and expiring on 4 January 2015 (**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.

ANNEXURE B

TERMS AND CONDITIONS OF OPTIONS TO BE GRANTED TO DEREK CARTER RICHARD BONYTHON, SIMON O'LOUGHLIN, RICHARD HILLIS AND LEWIS OWENS (OR THEIR RESPECTIVE NOMINEES)

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 closing price of the Company's shares on the date shareholder approval for the grant of the options is given.
3. Each option is exercisable in whole or in part at any time during the period commencing on the date of shareholder approval and expiring on 4 January 2015 (**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.



petratherm

Petratherm Ltd

ACN 106 806 884

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 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

 Vote online 24 hours a day, 7 days a week: www.investorvote.com.au	
<input checked="" type="checkbox"/> Cast your proxy vote	Your secure access information is:  PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.
<input checked="" type="checkbox"/> Review and update your securityholding	

 **For your vote to be effective it must be received by 11:00am (Adelaide time) Monday 31 May 2010**

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 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.

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.

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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, as the proxy sees fit) at the General Meeting of Petratherm Ltd to be held at Balcony Room 1, Level 1, Hilton Hotel, 233 Victoria Square, Adelaide, South Australia on Wednesday, 2 June 2010 at 11:00 am (Adelaide time) and at any adjournment of that meeting.

Important for Item 4: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Item 4 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 4 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of item 4 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

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.

	For	Against	Abstain
1 Subsequent approval for the issue of 10,947,320 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Subsequent approval for the issue of 3,214,000 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of issue of 1,000,000 options to Mr Terry Kallis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of issue of 600,000 options to Mr Derek Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of issue of 450,000 options to Mr Richard Bonython	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval of issue of 450,000 options to Mr Simon O'Loughlin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval of issue of 450,000 options to Dr Richard Hillis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approval of issue of 450,000 options to Mr Lewis Owens	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Approval of issue of 200,000 options to Dr Richard Hillis	<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.

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 ____/____/____