



31 October 2023

Dear Shareholders

Pental Limited Annual General Meeting

The Notice of Annual General Meeting of Pental Limited (**Pental or the Company**) to be held virtually on 30 November 2023 at 11.00am Melbourne time is now available at <https://pental.com.au/investors/>

In order to give as many shareholders as possible the opportunity to attend the meeting, we will hold the meeting by way of live video conference. There will be no physical meeting. Shareholders who wish to participate in the AGM online may do so from their computer or mobile device, by entering the following URL into their browser:

https://us02web.zoom.us/webinar/register/WN_Kh2zdsQQQviszBJBG7uuJQ

Refer to the enclosed proxy form for further details on how to access and vote at the meeting. Information about participating in the Meeting is also set out in Automic's Registration and Voting Guide at <https://www.automicgroup.com.au/virtual-agms>

All decisions at the meeting will be determined by poll. This will be carried out online and you will be able to cast votes at the appropriate times whilst the meeting is in progress. There will also be a facility to ask questions and comment during the meeting. Given potential connectivity issues, Shareholders are strongly encouraged to lodge a proxy form to vote at the AGM at least 48 hours before the meeting. A proxy form is enclosed.

Yours sincerely

A handwritten signature in black ink, appearing to read "Oliver Carton".

Oliver Carton
Company Secretary

PENTAL LIMITED
ABN 29 091 035 353
NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of the members of Pental Limited (**Pental or Company**) will be held virtually at 11.00 am AEDT on 30 November 2023.

BUSINESS

FINANCIAL REPORT

To receive and consider the Annual Financial Statements, the Directors' Report and Audit Report of the Company and its Controlled Entities for the financial year ended 2 July 2023.

The above documents are contained in the Annual Report. Shareholders who have elected to receive an electronic copy of the Annual Report can download a copy at Pental.com.au under the "Investors" tab in the "Reports" section. Shareholders who have elected to receive a hard copy of the Annual Report will receive one with this Notice of Meeting.

Please refer to the *Glossary* section for defined terms.

RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass the following non binding resolution:

That, for the purposes of section 250R(2) of the Corporations Act, the Remuneration Report contained in the Directors' Report for the financial year ended 2 July 2023 be adopted.

Short Explanation

Section 250R(3) of the Corporations Act requires listed companies to put to Shareholders at the Annual General Meeting a non binding resolution concerning the Remuneration Report which is contained in the Directors' Report section of the Annual Report.

Shareholders will be given an opportunity to ask questions concerning the Remuneration Report at the Annual General Meeting.

As stated, the vote on this Resolution 1 is advisory only and does not bind the Directors.

Voting Exclusion Statement

The Company will disregard any votes cast on the proposed resolution for adoption of the remuneration report by or on behalf of:

- (a) a KMP named in the Remuneration Report; or
- (b) a Closely Related Party of a KMP,

whether the votes are cast as a Shareholder, proxy or in any other capacity.

However, the Company will not disregard a vote cast by a KMP or Closely Related Party of a KMP if it is cast as a proxy and it is not cast on behalf of a KMP or a Closely Related Party of a KMP. If the proxy is the

Chair and the proxy does not specify the way in which the proxy should vote, the Chair intends to vote in favour of the resolution

Important for Resolution 1

If you are KMP or a Closely Related Party of KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for the breach of voting restrictions that apply to you under the Corporations Act.

RESOLUTIONS 2.1 AND 2.2 - RETIREMENT OF DIRECTORS BY ROTATION AND BY OPERATION OF THE CONSTITUTION

To consider and, if thought fit, to pass the following separate resolutions as ordinary resolutions:

- 2.1 *That, having retired in accordance with the Constitution, Mr Jeff Miciulis is re elected as a director.*
- 2.2 *That, having retired in accordance with the Constitution, Ms Kerrie Parker is re elected as a director.*

Short Explanation

The Constitution requires one third of the Directors (other than the Managing Director) to retire at each annual general meeting, being the Directors' longest in office since being re-elected by Shareholders. It also requires any Director appointed during the year to retire at the first annual general meeting held after their appointment. Mr Jeff Miciulis and Ms Kerrie Parker must therefore retire and have offered themselves for re-election.

Details of the Directors are contained in the Directors' Report section of the Annual Report.

RESOLUTION 3 – APPROVAL OF ADDITIONAL 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a special resolution:

That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Shares equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.

Short Explanation

ASX Listing Rule 7.1A provides that a listed entity may seek Shareholder approval at its annual general meeting to allow it to issue equity securities up to 10% of its issued capital over a period up to 12 months after its annual general meeting. This is in addition to the 15% permitted by ASX Listing Rule 7.1. That approval is the purpose of Resolution 3.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- (a) a person who is expected to participate in, or 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 securities in the Company); or

(b) an *associate* (as the term defined in ASX Listing Rule 19.12) of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 3 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 4 – PROPOSED RETURN OF CAPITAL

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

That approval is given for the purposes of section 256C(1) of the Corporations Act and for all other purposes for the Company to reduce its capital by up to \$30.7 million or 18 cents per Share by an equal capital reduction, on the terms and conditions set out in the Explanatory Statement.

Short Explanation

Section 256C(1) of the Corporations Act requires an equal capital reduction to be approved by an ordinary resolution passed at a general meeting of the Company.

By order of the Board:



Oliver Carton

Company secretary

Dated: 19 October 2023

NOTES

IMPORTANT: Shareholders are urged to direct their proxy how to vote by clearly marking the relevant box for each item on the proxy form.

1. A Member entitled to attend and vote at the Annual General Meeting has the right to appoint a person (who does not need to be a Member) as the Member's proxy to attend and vote at the meeting.
2. A Member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Member appoints two proxies and the appointment does not specify the proportion or number of the Member's votes each proxy may exercise, each proxy may exercise one half of the Member's votes.
3. The proxy form must be signed by the Member or the Member's attorney. Proxies given by corporations must be executed under seal or signed under the hand of a duly authorised officer or attorney.
4. To be valid, the enclosed proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy of it) must be lodged:
 - a) in person at the offices of the Share Registry – Automic, Level 5, 126 Phillip Street Sydney NSW 2000;
 - b) by email: meetings@automicgroup.com.au;
 - c) by mail: Automic GPO Box 5193 Sydney NSW 2001; or
 - d) online at <https://investor.automic.com.au/#/loginsah>,

not later than 48 hours before the time for commencement of the meeting being **11.00 am AEDT on 28 November 2023**.

5. A proxy may decide whether to vote on any motion, except where the proxy is required by law, the ASX Listing Rules or the Constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as they think fit.
6. Amendments to the Corporations Act were made which apply to proxy voting. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this meeting. Broadly, the changes mean that:
 - (a) if proxy holders vote, they must cast all directed proxies as directed; and
 - (b) any directed proxies which are not voted will automatically default to the Chair of the Meeting, who must vote as the proxies as directed.
7. A proxy form accompanies this Notice of Meeting.
8. The proxy form accompanying this Notice of Meeting contains detailed instructions regarding how to complete the proxy form if a Shareholder wishes to appoint the Chair as his or her proxy. You should read those instructions carefully.

9. By appointing the Chair of the Meeting as your proxy in relation to Resolution 1 you expressly authorise the Chair to vote in favour of Resolution 1 unless:
 - (a) you direct the Chair to vote against or to abstain from voting on the Resolution; or
 - (b) you are a Member of the KMP.
10. The Chair of the Meeting intends to exercise all available proxies by voting in favour of all Resolutions.
11. A person may attend the Meeting under an appointment of corporate representative under section 250D of the Corporations Act or power of attorney only if a copy of that duly executed appointment or power of attorney is lodged with the Share Registry or produced prior to the commencement of the Meeting.
12. The Company has determined that a person's entitlement to attend and vote at the Annual General Meeting will, in accordance with the Corporations Act, be the entitlement of that person set out in the register of Shareholders as at 7:00 pm AEDT on 28 November 2023.
13. Shareholders or their attorneys wishing to vote must attend the virtual Annual General Meeting (or lodge a proxy).

EXPLANATORY STATEMENT

INTRODUCTION

The purpose of this Explanatory Statement is to provide Shareholders with an explanation of the business of the meeting and the Resolutions proposed to be considered at the Annual General Meeting.

1 FINANCIAL STATEMENTS AND REPORT

At the Annual General Meeting, Shareholders will be given an opportunity to ask questions and comment on the Directors' Report, Financial Statements and Independent Auditor's Report for the year ended 2 July 2023.

Shareholders who have elected not to receive a hard copy of the Annual Report can view or download a copy from the Company's website at www.Pental.com.au.

The Company's auditors will be present at the Meeting and be available to answer questions as to the conduct of the audit and the auditor's report.

2 RESOLUTION 1 – REMUNERATION REPORT

In accordance with section 250R(2) of the Corporations Act, listed companies are required to put to Shareholders at the Annual General Meeting a non binding resolution concerning the Remuneration Report, which is contained in the Directors' Report section of the Annual Report.

This Resolution is non binding however if at least 25% of the votes cast on the Resolution are against adoption of the Remuneration Report, then there are consequences. The Corporations Act was amended in June 2011 to introduce the “two strikes” rule. The two strikes rule provides that if at least 25% of the votes cast (excluding KMP and their Closely Related Parties) on the adoption of a remuneration report at two consecutive annual general meetings are against adopting the remuneration report, members will have the opportunity to vote on a *spill resolution*.

A *spill resolution* is a resolution that a separate meeting be called where all Directors other than the Managing Director retire and can be re elected.

The Directors recommend that all Shareholders vote in favour of the Remuneration Report. As the Remuneration Report resolution was successfully passed at the 2022 annual general meeting, a requisite vote against it at this AGM will mean that a *spill resolution* will not be required after the AGM. However if a *spill resolution* may be required after the 2024 annual general meeting if the Remuneration Report is again voted down by the requisite number of votes at that 2024 annual general meeting .

The Company will disregard any votes cast on this Resolution by or on behalf of:

- (a) a KMP; or
- (a) a Closely Related Party of a KMP.

3 RESOLUTIONS 2.1 AND 2.2 - RETIREMENT OF DIRECTORS BY ROTATION AND BY OPERATION OF THE CONSTITUTION

The Constitution requires Directors appointed during the year to retire and offer themselves for election at the first annual general meeting following their appointment. The Constitution also requires one third of Directors, other than the Managing Director, to retire at each annual general meeting. Those Directors are eligible to be re elected by Shareholders. The rules apply this year to Mr Jeff Miciulis and Ms Kerrie Parker.

The details and experience of those Directors are set out in the Directors' Report section of the Annual Report.

The Directors, other than Mr Jeff Miciulis and Ms Kerrie Parker, recommend that all Shareholders vote in favour of these two Resolutions. Mr Jeff Miciulis and Ms Kerrie Parker decline to make recommendations in respect of each Resolution relating to themselves. The Chair intends to vote open proxies in favour of these Resolutions.

4. RESOLUTION 3 – APPROVAL OF ADDITIONAL 10% PLACEMENT CAPACITY

4.1 Introduction

ASX Listing Rule 7.1A provides that an *Eligible Entity* (as defined and explained below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of *Equity Securities* (defined below) equal to 10% of its issued capital (**10% Placement Capacity**) through placements over the 12 months from the annual general meeting without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation under \$300,000,000.

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or any security that ASX decides to classify as an equity security.

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

As at the date of this Notice, the Company has only 1 class of quoted Equity Securities being Shares (ASX: PTL) and the number of Shares that the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (detailed below) should the Shareholders approve Resolution 3.

The effect of Resolution 3 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue on the date of issue under the 10% Placement

Capacity during the 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

If Resolution 3 is not passed, the Company will not be able to access the 10% Placement Capacity and will be limited to its placement capacity under Listing Rule 7.1 without first obtaining Shareholder approval.

Note that Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of the Resolution for it to be passed.

4.2 The number of Shares to be issued

The Number of Shares that the Company may issue under the 10% Placement Capacity will be calculated according to the following formula:

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

A: is the number of Shares on issue at the commencement of the relevant period:

- plus the number of Shares issued in the relevant period under an exception in ASX Listing Rule 7.2, other than exceptions 9, 16 or 17;
- plus the number of Shares issued in the relevant period on conversion of convertible securities within ASX Listing Rule 7.2 exception 9 where:
 - the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the convertible securities was approved, or take under these ASX Listing Rules to have been approved, under ASX Listing Rule 7.1 or 7.4;
- plus the number of Shares issued in the relevant period under an agreement to issue securities within ASX Listing Rule 7.2 exception 16 where:
 - the agreement was entered into before the commencement of the relevant period; or
 - the agreement or issue was approved, or take under these ASX Listing Rules to have been approved, under ASX Listing Rule 7.1 or 7.4;
- plus the number of Shares issued in the previous 12 months with approval of holders of Shares under ASX Listing Rule 7.1 or 7.4;
- plus the number of partly paid shares that became fully paid in the previous 12 months; and
- less the number of Shares cancelled in the previous 12 months.

D: is 10%

E: is the number of Shares issued or agreed to be issued under ASX 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 holders of Shares under ASX Listing Rule 7.4.

4.3 Technical information required by ASX Listing Rule 7.1A

Under and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 3.

4.3.1 Minimum price

Any Equity Securities issued under ASX Listing Rule 7.1A.2 must be in an existing quoted class of the Eligible Entity's quoted securities and issued for a cash consideration per security which is not less than 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed by the entity and recipient of the Equity Securities; or
- if the Equity Securities are not issued within 10 ASX trading days of the date in the above bullet point, the date on which the Equity Securities are issued.

4.3.2 Date of issue

An approval under ASX Listing Rule 7.1A commences on the date of the AGM at which the approval is obtained and expires on the first to occur of the following:

- the date that is 12 months after the date of the annual general meeting;
- the time and date of the entity's next annual general meeting;
- the time and date of approval by holders of Shares of any transaction under ASX Listing Rules 11.1.2 or 11.2,

(10% Placement Period).

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 3 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature and scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking).

4.3.3 Risk of economic and voting dilution

Any issue of Shares under the 10% Placement Capacity will dilute the interest of the Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by the Shareholders and the Company issues the maximum number of Shares available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be shown in the table below.

The table below shows the dilution of existing Shares calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Shares on issue as at 19 October 2023.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

| Number of Shares on Issue (Variable A in ASX Listing Rule 7.1A2) | Dilution | | | |
|--|--|--|-----------------------|--|
| | Issue Price / Share | \$0.20 50% decrease in issue price | \$0.40 Issue price | \$0.60 50% increase in issue price |
| (Current Variable A*) 170,459,499 | Shares issued – 10% voting dilution | 17,045,950 | 17,045,950 | 17,045,950 |

| | | | | |
|---|-------------------------------------|------------|------------|------------|
| | Funds raised (\$) | 3,409,190 | 6,818,380 | 10,227,570 |
| 255,689,248 (50% increase in Variable A) | Shares issued – 10% voting dilution | 25,568,925 | 25,568,925 | 25,568,925 |
| | Funds raised (\$) | 5,113,785 | 10,227,570 | 15,341,355 |
| 340,918,998 (100% increase in Current Variable A) | Shares issued – 10% voting dilution | 34,091,900 | 34,091,900 | 34,091,900 |
| | Funds raised (\$) | 6,818,380 | 13,636,760 | 20,455,140 |

* The number of Shares on issue (Variable A) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1.

The above table assumes:

- (a) There are currently 170,459,499 Shares on issue. This number excludes any Shares that may be issued under Resolutions being put to members in accordance with this Notice of Meeting.
- (b) The Company issues the maximum possible number of Shares under the 10% Placement Capacity.
- (c) The calculations above do not show the dilution that any one particular Shareholder will experience. All Shareholders should consider the potential dilution to their own shareholding depending on their specific circumstances.
- (d) This table does not set out any dilution under approvals under ASX Listing Rule 7.1.
- (e) 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%.
- (f) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Annual General Meeting.

Shareholders should also note that there are risks that:

- (a) the market price of Shares may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- (b) the Shares may be issued at a price that is at discount to the market price for those Shares on the date of issue.

4.3.4 Purpose of issue under the 10% Placement Capacity

The Company must issue Equity Securities under the 10% Placement Capacity as cash consideration in which case the Company intends to use funds raised for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), and general working capital.

The Company will comply with its disclosure obligations under ASX Listing Rules 7.1A(4) and 3.10.3 under issue of any Equity Securities.

4.3.5 Allocation policy under the 10% Placement Capacity

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

At this point in time no decision has been made concerning use of the 10% placement capacity during the relevant period, including the number of Equity Securities it may issue and when this may occur.

Therefore the allottees of the Equity Securities that may be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- the purpose of the issue;
- alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- the effect of the issue of the Equity Securities on the control of the Company;
- the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- prevailing market conditions; and
- advice from corporate, financial and broking advisers (if applicable).

4.3.6 Previous approval under ASX Listing Rule 7.1A

The Company has not previously sought approval from Shareholders under ASX Listing Rule 7.1A.

4.3.7 Voting exclusion statement

The Company will disregard any votes cast on Resolution 3 by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or, it is cast by the Chair 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.

As at the date of this Notice of Meeting, the Company has not invited any existing Shareholder to participate in an issue of Shares under ASX Listing Rule 7.1A. No existing Shareholder will therefore be excluded from voting on Resolution 3.

The Directors recommend that all Shareholders vote in favour of this Resolution.

5 RESOLUTION 4 – PROPOSED RETURN OF CAPITAL

5.1 Background

On 13 September 2023, Pental announced that it and its wholly owned subsidiary, Pental Products Pty Ltd, had entered into binding transaction agreements to sell all of the assets of the Pental Consumer Products business (excluding Duracell and Bondi Soap) and the Shepparton manufacturing facility to Selleys, a division of Dulux Group (Australia) Pty Limited, for a

purchase price of \$60 million (excluding debtors and creditors) on a debt and cash free basis, subject to completion adjustments and certain conditions precedent, including Shareholder approval under ASX Listing Rule 11.2 (**Proposed Transaction**).

Following completion of the Proposed Transaction and subject to further review at the time of completion (and again at the time of the second special dividend referred to below), Pentel intends to return up to approximately 31 cents per Share to Shareholders through the following:

- a fully franked special dividend of up to approximately 6 cents per Share (aggregate of \$10.2 million) to be paid on or around 15 December 2023;
- an intended capital return of up to approximately 18 cents per Share (aggregate of \$30.7 million) to be paid on or around 15 December 2023 (**Capital Return**); and
- an additional fully franked special dividend of up to 7 cents per Share (aggregate of \$11.9 million) to be paid 8 months after completion of the Proposed Transaction.

In determining the timing and quantity of funds to return to Shareholders and the method to be used, the Board has regard to a variety of factors including retaining a strong balance sheet and flexibility to pursue potential growth investment opportunities.

Please refer to Pentel's ASX announcement dated 13 September 2023 and Pentel's notice of meeting dated 28 September 2023 for approval of the Proposed Transaction for further details of the Proposed Transaction.

5.2 What are the conditions to the Capital Return being implemented?

Implementation of the Capital Return is conditional on the following:

- review and consideration by the Company of the net proceeds received on completion of the Proposed Acquisition;
- Shareholder approval of the Capital Return in accordance with this Resolution; and
- receipt of the ATO Ruling in a form and substance considered acceptable by the Company.

5.3 What are the reasons for the Capital Return?

Following the completion of the Proposed Transaction, the Board considers that Pentel will have capital in excess of its expected funding needs. Consistent with the Board's strategy to reduce excess capital, while maintaining sufficient cash to support the Company's remaining ongoing operations and growth strategies, the Board intends to distribute a proportion of the proceeds from the Proposed Transaction to Shareholders through the Capital Return.

5.4 What is the effect of the Capital Return on Pentel?

If the Capital Return is implemented, Pentel's issued capital will be reduced by up to approximately \$30.7 million, being up to approximately 18 cents per Share.

The Board considers that the Capital Return will not adversely affect Pentel's capacity to fund or pursue existing business and growth opportunities.

The proposed Capital Return would constitute an equal reduction of Pentel's share capital for the purposes of the Corporations Act. This is because it relates only to Shares, it applies to each

Shareholder in proportion to the number of Shares they hold and the terms of the reduction are the same for each Shareholder.

Accordingly, Directors (as Shareholders) will participate in the Capital Return on the same basis as all other Shareholders.

No Shares will be cancelled in connection with the Capital Return. Accordingly, the Capital Return will not affect the number of Shares held by each Shareholder and nor will it impact the control of Pental.

An equal capital reduction must comply with the following requirements of section 256B(1) the Corporations Act:

- the reduction must be fair and reasonable to Shareholders as a whole;
- the reduction must not materially prejudice the Company's ability to pay its creditors; and
- the reduction must be approved by Shareholders under section 256C of the Corporation Act.

The Board is satisfied that these requirements will be met, noting that the Capital Return applies equally and will be paid out of surplus capital.

If the Capital Return is implemented, the Shares are likely to trade at a lower share price than they would have if the Capital Return had not been made. This is due to the return of funds to Shareholders and the consequent reduction in Shareholders' funds held by the Company. This is likely to occur from the 'ex' date, being the day that the Shares trade without an entitlement to participate in the Capital Return.

5.5 Timing

The Capital Return is proposed to be implemented as soon as practicable after receipt of the ATO Ruling and assuming that it is in a form and substance acceptable to the Company. The Company expects to receive the ATO Ruling in mid to late December 2023. On this basis, an announcement to ASX will be made on receipt of the ATO Ruling regarding the precise timetable for the Capital Return. The ATO Ruling will also be made available on the Company's website: www.pental.com.au or www.prestal.com.au

5.6 Tax implications

Pental is in the process of applying for an ATO Ruling in the form of a Class Ruling to confirm that:

- no part of the Capital Return will constitute, or be treated as, a dividend for Australian income tax purposes; and
- instead:
 - a Shareholder's cost base in each Pental share will be reduced by the amount of capital returned in connection with that share;
 - where the Shareholder's cost base in each Pental share is less than the amount of capital returned in connection with that share, a capital gain will arise; and
 - subject to other requirements being met, Shareholders will be entitled to treat any resulting capital gain as a 'discount capital gain'.

Based on the historical Pental share price and the quantum of the Capital Return, no capital gain is expected to arise for any Shareholder however Shareholders should seek their own advice around their particular cost base. For completeness, Pental will request that the ATO confirm the capital gains tax consequences of the Capital Return under cover of the Class Ruling.

The Class Ruling, if issued in accordance with Pental's application will apply:

- to the income year spanning 1 July 2023 to 30 June 2024; and
- to Australian tax resident investors who hold their PTL shares on capital account.

The Class Ruling will be made available (if received) in due course on the Pental website, but this is not expected until after the date of the Shareholders meeting.

The tax implications of the Capital Return for Shareholders will depend on their particular circumstances. As stated, all Shareholders should consider seeking their own tax advice, in particular:

- Shareholders who do not hold their shares on capital account, being Shareholders to whom the Class Ruling will not apply; and
- Shareholders who are not residents of Australia for tax purposes, being Shareholders to whom the Class Ruling will not apply – noting also there may be taxation consequences arising from the Capital Return in their country of tax residence.

No adverse tax consequences are expected to arise in the hands of Pental in relation to the Capital Return.

5.7 Board recommendation and alternatives

The Board recommends that Shareholders vote in favour of Resolution 4.

If the Capital Return is not approved by Shareholders or otherwise does not proceed, the Board will consider alternatives to return any excess capital.

5.8 No other material information

As required by the Corporations Act, Pental has set out in this Explanatory Statement all information known to Pental that is material to the decision on how to vote on Resolution 4.

GLOSSARY

In this Notice:

Annual General Meeting or **Meeting** or **AGM** means the annual general meeting of the Company to be held at 11.00 am AEDT on 30 November 2023.

Annual Report means the annual report of the Company in respect of the financial year ended 2 July 2023.

ASX means ASX Limited or the financial market operated by it, as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ATO Ruling means the ATO Ruling referred to in section 5.6.

Board means the board of Directors or, where the relevant powers or authorities are delegated by the board to a sub committee of the board, that sub committee.

Chair means the chair of the Board.

Closely Related Party means any of the following:

- (a) a spouse, child or dependant of the member;
- (b) a child or dependant of the member's spouse;
- (c) anyone else who is one of the member's family and may be expected to influence, or be influenced by, the member in the member's dealings with the Company;
- (d) a company the member controls; or
- (e) a person prescribed by regulations (as at the date of this notice, no additional persons have been prescribed by regulation).

Company or **Pental** means Pental Limited ACN 091 035 353.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth) and includes any regulations made under that Act and any exemption or modification to that Act which applies to the Company.

Director means a director of the Company.

Explanatory Statement means this explanatory statement attaching to and forming part of this Notice of Meeting.

KMP means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly and includes its Directors and certain senior executives whose remuneration is set out in the remuneration report of the Annual Report.

Notice of Meeting or **Notice** means this notice of meeting and Explanatory Statement.

Resolution means a resolution referred to in this Notice of Meeting.

Share means a fully paid ordinary share in the Company.

Shareholder or **Member** means a registered holder of at least one Share.

Share Registry means Automic Pty Ltd.



Proxy Voting Form

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

Pental Limited | ABN 29 091 035 353

Your proxy voting instruction must be received by **11.00am (AEDT) on Tuesday, 28 November 2023**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

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

Joint holding: Where the holding is in more than one name, all Shareholders 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 Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/loginsah> or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBSITE:

<https://automicgroup.com.au/>

PHONE:

1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

