

ASX Release

11 May 2015

ASX Code: PTR

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PETRATHERM LIMITED
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AGREEMENT TO ACQUIRE POTASH PROJECT

HIGHLIGHTS

- Agreement (subject to due diligence, ASX and shareholder approval) to purchase 100% of the shares in East Exploration Pty Ltd (East Exploration) which holds the "South Harz" potash project which includes all ground within 50km radius of the Kullstedt and Grafentonna tenements in Central Germany.
- Granted tenements comprise 450kms² of highly prospective ground within a potash producing basin and close to existing operations and high quality infrastructure.
- Extensive drilling and other exploration data available.
- Historical mines on the Kuellstedt Licence.
- Industry professional, Patrick McManus, to join Petratherm's Board.
- 100% scrip transaction with no cash payment and performance shares linked to value adding milestones.

TRANSACTION DETAILS

The material terms of the agreement can be summarised as follows:

1. Subject to the satisfactory completion by the Company of due diligence, and subsequent ASX and shareholder approval, the Company will issue:
 - (a). 55,000,000 (55m) ordinary shares as consideration for 100% of the Project; and
 - (b). 110,000,000 (110m) performance shares to be converted to ordinary shares upon the successful completion of two Project related milestones (55m ordinary shares per milestone).
2. The vendor may place two directors on the Board of the Company.
3. The Company's present intention is that Simon O'Loughlin and Donald Stephens will remain on the Board.

FUNDING

- The Company presently has over \$0.65m (as per March 5B) cash at bank and intends to allocate some of these funds to progressing the Project.
- Petratherm to raise a minimum of \$4,000,000 and a maximum of \$4,500,000 at no less than a post-consolidation price of 10c per share. Taylor Collison have been appointed as Lead Manager for the equity raising.
- Petratherm currently has 519,692,579 fully paid ordinary shares on issue and intends to undertake a consolidation of its shares on a 1:25 basis resulting in it having approximately 20,787,703 shares on issue post consolidation.

APPROVALS

- The Company will make application to ASX for a determination on the relevant transaction approvals which may be required for the acquisition of the Project.
- Once this determination has been made, the Company proposes to update the market on an indicative transaction timetable.
- Further information regarding the Project, acquisition terms (including milestones for performance shares) and the Company's intentions will be set out in a notice of meeting to shareholders.
- The Board believes the proposed acquisition is extremely positive for the Company.

SOUTH HARZ POTASH PROJECT

Technical background of East Explorations' South Harz Potash Project

East Exploration holds exploration licences having an area of nearly 450km² in the southwestern edge of the South Harz Potash District in central Germany (Figure 1). The Küllstedt Exploration Licence extends over 241km² while the Gräfentonna Exploration Licence has an area of 216km². Both licences are located in the northwestern part of the Federal State of Thuringia, bordering the city of Mühlhausen to the south.

East Exploration commissioned ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau GmbH (ERCOSPLAN) to carry out a review of all the geological data relating to the Küllstedt licence and to estimate an Exploration Target for the area. This was reported to ASX by Potash West (PWN) in an ASX release dated 4 March 2015. The ERCOSPLAN technical report is available on the PWN website.

The South Harz project lies within the regional Zechstein Basin of Permian age that once stretched from the North Sea southward through Britain to include parts of Germany and Poland. The potash rich evaporite sequences are located in an 85km, long southeast to northwest trending basin. Overburden and evaporite units dip at 10 degrees to the south. Zechstein units have historically been of economic importance for hydrocarbons and salts including a variety of potash salts. Over 500 million tonnes of potash ore was extracted from the South Harz region in the 22 year period between 1970 and 1992, producing over 100 million tonnes of potash fertilizer. The last mines in the Kallstedt vicinity were closed in 1993. The majority of the shafts were located along the northeast limits of the basin where potash units are between 400m and 800m below surface.

The depth of the top of the potash seam increases from the north to the south, with values ranging between about 510 m and 980 m below the topographic surface. Due to the relative shallow deposit depth in the north of the licence area conventional mining was conducted in the past and proved successful. The Company will target this area that has the potential to deliver shallow mineralisation amenable to modern mining practices.

Potash was mined within the Kallstedt Exploration Licence between 1912 and 1924. Three shafts were operational extracting potash from depths between 835 m and 860 m below the surface. The shafts were put on care and maintenance in 1924 as part of a policy of rationalising the potash mining industry in the region and ultimately closed and rehabilitated in 2000.

A total of 34 drillholes were drilled in the Kallstedt licence, and its immediate surrounds, in the period 1960 to 1980. Historical resource estimates were carried out in 1964 and 1980. The distribution of potash salts in the Kallstedt area has been well documented through over a century of past exploration and mining and the geology of the area is well understood. The Company is particularly encouraged by the extent of potential mineralisation within the licence area and by the fact that it has been the site of successful potash mining operations in the past.

Within the potash seams the potash salts of economic interest are sylvinite (KCl) and carnallite ($\text{KCl} \cdot \text{MgCl}_2 \cdot 6\text{H}_2\text{O}$). In the licence area the potash unit has a maximum drill defined thickness of 58m. The thickness is variable decreasing to the west and increasing to the southeast.

Carnallite mineralisation is the dominant potash salt facies in the north and central parts of the Kallstedt Exploration Licence. Sylvinite underlies much of the southern part of the area with a mixed salt unit occupying a small area in the central east of the area.

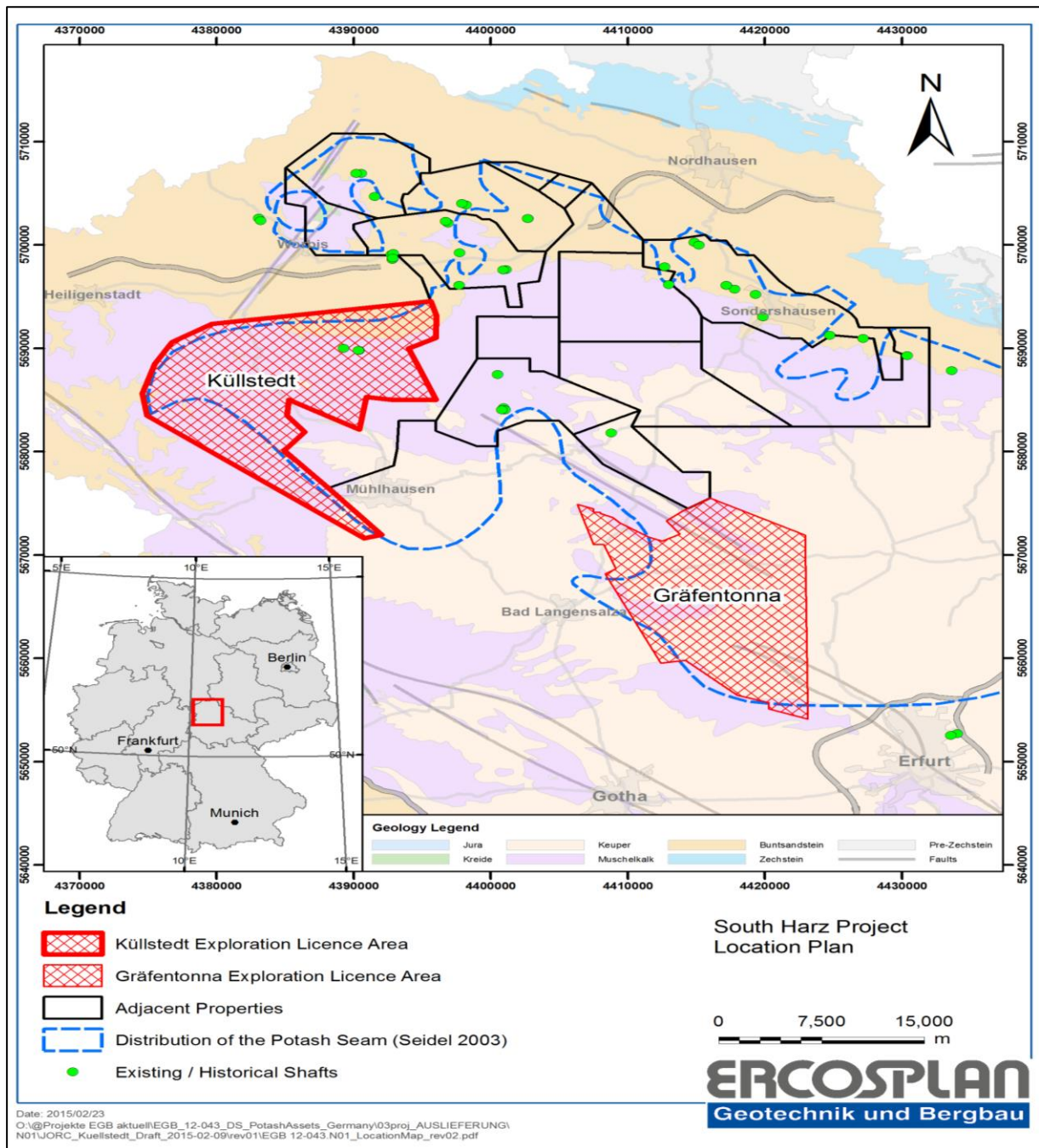


Figure 1: South Harz Project location plan

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