
STONEHORSE ENERGY LIMITED
ACN 086 972 429

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 1:30 PM AWST
DATE: 27 November 2020
PLACE: via Zoom Meeting

A copy of the Stonehorse Energy Limited 2020 Annual Report can be found at:

www.stonehorseenergy.com

The business of the Meeting affects your shareholding and your vote is important.

The Annual General Meeting (AGM) will be a virtual meeting. Instructions on how to attend, vote and ask questions during the meeting are outlined below.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Jay Stephenson, on (+61 8) 9426 0666.

IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the AGM of the Shareholders to which this Notice of Meeting relates will be held at 1:30pm (AWST) on 27 November 2020.

Due to the COVID-19 pandemic, the Board has decided, in the interests of the health and safety of our Shareholders and staff, to hold the AGM virtually. Accordingly, Shareholders will not be able physically attend the meeting. For details of how Shareholders and proxyholders can participate in the Meeting online, please see the information below.

If you wish to virtually attend the AGM, please pre-register in advance for the virtual meeting by emailing the Company Secretary on jay.stephenson@foresthous.com.au. You will need to provide your SRN and postcode for identification. After registering, you will receive confirmation containing information on how to vote at the meeting by poll.

Shareholders and proxyholders can participate in the AGM online using the zoom meeting platform. The zoom meeting id is:

Meeting ID: 486 058 5408

Which can also be found at the following link:

<https://us02web.zoom.us/j/4860585408?pwd=bmYvSzc4Q1RhN1dVVysrMlBadXo5Zz09>

The zoom meeting platform allows Shareholders and proxyholders to listen to the AGM, vote, and ask questions online in real time.

Technical difficulties may arise during the course of the Meeting. The Chair has discretion as to whether and how the meeting should proceed in the event that a technical difficulty arises. In exercising this discretion, the Chair will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected. Where he considers it appropriate, the Chair may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, shareholders are encouraged to lodge a proxy in accordance with the instructions set out on the Proxy Form, even if they intend to attend online.

In the event that it is necessary for the Company to give further updates, information will be lodged with the Australian Securities Exchange.

PARTICIPATING IN THE MEETING

Shareholders and proxyholders can submit questions in relation to the AGM, and vote on the resolutions in real time during the Meeting. Shareholders may also submit their questions in advance of the AGM on matters relevant to the business of the AGM by emailing their questions to jay.stephenson@foresthous.com.au. Written questions must be received by no later than 5:00pm WST on 21 November 2020

Shareholders, proxies and attorneys participating in the AGM using the zoom meeting platform will be able to vote between the commencement of the Meeting and the closure of voting as announced by the Chair during the Meeting.

By participating in the Meeting online you will be able to:

- a) hear the meeting;
- b) submit questions at the appropriate time whilst the Meeting is in progress; and
- c) vote during the Meeting.

Please note, only Shareholders and proxyholders may ask questions online and only once they have been verified. It may not be possible to respond on all questions raised during the Meeting. Shareholders are therefore encouraged to lodge questions prior to the Meeting by emailing their questions to jay.stephenson@foresthouse.com.au. Written questions must be received by no later than 5:00pm AWST on 21 November 2020.

YOUR VOTE IS IMPORTANT

The business of the AGM affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the AGM are those who are registered Shareholders at 7:00pm WST on 25 November 2020.

VOTING VIRTUALLY ON THE DAY OF THE AGM

All voting will be done via the zoom meeting platform. Voting on each item of business will be by poll. Instructions on how to vote during the meeting, including voting documents, will be emailed to all shareholders who registered their attendance prior to the meeting and instructions will be provided at the start of the meeting.

VOTING BY PROXY

The Company encourages all Shareholders to submit a proxy vote ahead of the Meeting.

To vote by proxy, please complete and sign the enclosed Proxy Form and return it by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Sections 250BB and 250BC of the Corporations Act provide that the chair of an annual general meeting can vote undirected proxies in a shareholder vote on the remuneration report where the shareholder provides express authorisation.

A body corporate appointed as a member's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the AGM. The appointment of the representative must comply with the requirements under Section 250D of the Corporations Act. The representative will need to provide evidence of appointment as corporate representative to the company's Share Registry

prior to the Annual General Meeting / by emailing evidence of appointment to jay.stephenson@foresthous.com.au or sending evidence by fax to facsimile number +61 8 9481 1947 including any authority under which the appointment is signed, unless such evidence has previously been given to the Company.

Further details are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

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

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

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2020.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

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

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

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR JAY STEPHENSON

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

“That, for the purpose of clause 14.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Jay Stephenson, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

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

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities 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.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of 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 an associate of that person (or 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 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.

5. RESOLUTION 4 – APPROVAL OF THE DIRECTORS’ FEE SACRIFICE EQUITY PLAN AND THE ISSUE OF PLAN SHARE RIGHTS AND SHARES ON THE EXERCISE OF PLAN SHARE RIGHTS UNDER THE DIRECTORS’ FEE SACRIFICE EQUITY PLAN

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

“That pursuant to ASX Listing Rule 7.2 (exception 13), ASX Listing Rule 10.14 and for all purposes, approval is given for the Directors’ Fee Sacrifice Equity Plan and for the grant of Plan Share Rights and the issue of Shares on the exercise of the Plan Share Rights to all current Directors, on the terms described in the Explanatory Statement accompanying this Notice of Meeting”

Voting Prohibition Statement: For the purposes of Section 224 of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a Director or any of their Associates.

However, this prohibition will not apply if:

- (a) it is cast by a person as a proxy appointed in writing for a person who is entitled to vote and the Proxy Form specifies how the proxy is to vote on the Resolution; or
- (b) it is not cast on behalf of a Director or any of their Associates.
Further, in accordance with Section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:
 - (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such a member; and
 - (b) the appointment does not specify the way the proxy is to vote on the Resolution.
However, this prohibition will not apply if:
 - (a) the proxy is the Chair; and
 - (b) the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Please note: If the Chair is a person referred to in the Section 224 Corporations Act voting prohibition stated above, the Chair will only be able to cast a vote as proxy for a person who is entitled to vote if the Chair is appointed as proxy in writing and the Proxy Form specifies how the proxy is to vote on the relevant Resolution.

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this Resolution by or on behalf of any Director who is eligible to participate in any employee incentive scheme of the Company or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the 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 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.

Dated: 24 October 2019

By order of the Board

**Jay Stephenson
Company Secretary**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.stonehorseenergy.com.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR JAY STEPHENSON

3.1 General

ASX Clause 14.2 of the Constitution requires that at each annual general meeting, one third of the Directors (except the Managing Director who is exempt) must retire from office. In determining the number of Directors to retire, no account is taken of the Managing Director, or directors who have been appointed under Clause 14.4 of the Constitution.

The Company's has two Directors, Mr Robert Gardner, and Mr Jay Stephenson, who are eligible for retirement by rotation. As Mr Robert Gardner stood for re-election at the 2019 AGM, Mr Jay Stephenson will retire by rotation.

Accordingly, Mr Jay Stephenson retires in accordance with Clause 14.2 of the Constitution and, being eligible, seeks re-election. Mr Jay Stephenson's details are set out below.

3.2 Qualifications and other material directorships

Jay Stephenson has been involved in business development for over 30 years including approximately 24 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in resources, manufacturing, information technology, wine, hotels and property. Jay has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies.

Jay provides services in IPO/RTO management, Corporate Advisory, Company Administration, Accounting and Corporate Governance. On most engagements, Jay takes on the appointment of a statutory office holder, either as a Director, Company Secretary or Chief Financial Officer.

Jay holds a Master of Business Administration, is a Fellow of Certified Practising Accountants Australia, A Fellow of the Governance Institute of Australia, a member of the Australian Institute of Company Directors, a member of Chartered Professional Accountants and Certified Management Accountants in Canada.

3.3 Independence

If re-elected the Board considers Mr Jay Stephenson is not an independent Director.

3.4 Board recommendation

The Board (with Mr Stephenson abstaining) supports the election of Mr Jay Stephenson and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

4.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined 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 equal to 10% of its issued capital (**10% Placement Capacity**) without using that entity'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 of \$5,000,000 (based on the number of Shares on issue and the closing price of Shares on the ASX on 7 October 2020 and excluding any restricted securities that may be on issue).

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 currently has one class of quoted Equity Securities on issue, being the Shares (ASX Code: SHE).

If Shareholders approve Resolution 3, the number of Equity Securities 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.

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 Resolution 3 for it to be passed.

4.2 Technical information required by ASX Listing Rule 7.1A

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

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 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:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 4.2(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) Risk of voting dilution

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

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

The table below shows the dilution of existing Shareholders 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 Equity Securities on issue as at 7 October 2020.

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)		Shares issued – 10% voting dilution	Dilution		
			Issue Price		
			\$0.005	\$0.010	\$0.02
			50% decrease	Issue Price	50% increase
		Funds Raised			
Current	400,624,786 shares	40,062,479 shares	\$200,312	\$400,625	\$801,250
50% increase	600,937,179 shares	60,093,718 shares	\$300,469	\$600,937	\$1,201,874
100% increase	801,249,572 shares	80,124,958 shares	\$400,625	\$801,250	\$1,602,499

*The number of Shares on issue (Variable A in the formula) 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 Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 400,624,786 Shares on issue comprising as at the date of this Notice of Meeting.

2. The issue price set out above is the closing price of the Shares on the ASX on 7 October 2019.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1 unless otherwise disclosed.
8. 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%.
9. 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 Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) 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), continued exploration expenditure on the Company's Projects (funds would then be used for project, feasibility studies and ongoing project administration) and general working capital; or
- (ii) as non-cash consideration for the acquisition of new resources, assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
 - (ii) the information required by Listing Rule 3.10.5A for release to the market.
- (f) **Allocation policy under the 10% Placement Capacity**

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients 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 recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) 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;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

- (g) **Previous approval under ASX Listing Rule 7.1A**

The Company has previously obtained approval from its Shareholders at its annual general meeting on 28 November 2019.

4.3 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

5. RESOLUTION 4 - APPROVAL OF THE DIRECTORS' FEE SACRIFICE EQUITY PLAN AND THE ISSUE OF PLAN SHARE RIGHTS AND SHARES ON THE EXERCISE OF PLAN SHARE RIGHTS UNDER THE DIRECTORS' FEE SACRIFICE EQUITY PLAN

5.1 Background

The Board proposes to implement an equity-based Plan for Directors to receive Plan Share Rights (either directly or through a nominee) in the Company by electing to salary sacrifice a proportion or all of annual cash remuneration on a voluntary basis. The Plan Share Rights are

rights to be issued Shares in the Company which Shares will have restrictions on their disposal. No consideration is payable for the grant of Plan Share Rights under the Plan, or on exercise of the Plan Share Rights under the Plan as participation in the Plan to acquire Plan Share Rights requires a Director to salary sacrifice a percentage of existing remuneration to which the Director is otherwise entitled

If approved by Shareholders at this Meeting, the rules for this Plan will govern the operation and administration of the Plan (Rules). The Rules will be an 'employee incentive scheme' for the purposes of the ASX Listing Rules and are summarised below and in **Annexure A**.

The Plan gives greater flexibility to the Company's remuneration framework and to ensure that the Company can continue to attract, retain and reward Directors and to ensure that the interests of the Directors and the Shareholders are aligned.

5.2 Corporations Act Requirements

The Directors have considered the application of Chapter 2E of the Corporations Act to the grant of Share Rights to the Directors. As the Directors may elect to forego a percentage of the cash payment of fees and those fees are within the shareholder approved aggregate pool of directors' fees, it has been determined that the financial benefit given by offering Directors the opportunity to salary sacrifice to acquire Plan Share Rights, at no greater cost to the Company, constitutes reasonable remuneration to the Directors given:

- a) the circumstances of the Company; and
- b) the Directors' roles and responsibilities at the Company.

Given the above, the Company will rely on the exception contained in section 211(1) of the Corporations Act and is not seeking Shareholder approval pursuant to section 208 of the Corporations Act in addition to the approval being sought under the ASX Listing Rules. Furthermore, the Company will also rely on the exception contained in section 210 of the Corporations Act that shareholder approval is not required as it has been determined that the financial benefit given by offering Directors the opportunity to salary sacrifice to acquire Plan Share Rights, at no greater cost to the Company is on terms that are reasonable on the circumstances if the Company and each Director were dealing at arm's length.

5.3 Listing Rule 10.14

Approval is also sought under Listing Rule 10.14 which provides that an entity must not permit a director of an entity, or his or her associate, to acquire equity securities under an employee incentive scheme (such as the Plan) without the approval of Shareholders.

In order for a Director to acquire Plan Share Rights (and hence Restricted Shares on the exercise of such rights), the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.14.

ASX Listing Rule 10.16(c) provides that ASX Listing Rule 10.14 does not apply to an issue of equity securities in satisfaction of a right to acquire such securities granted to directors under an employee incentive plan unless the right was issued with the approval of Shareholders under ASX Listing Rule 10.14. If Resolution 5 is passed at the Meeting, the issue of Shares upon the exercise of Plan Share Rights issued under the Plan will not therefore require further Shareholder approval.

Approval under Listing Rule 7.1 is not required in order to issue the Plan Share Rights to Directors or their nominees under the Plan as approval is being obtained under Listing Rule 10.14 (Listing Rule 7.1 Exception 14).

Listing Rule 10.15 sets out the disclosure requirements for seeking Shareholder approval under ASX Listing Rule 10.14

A summary of the Plan is set out in **Annexure A**.

5.4 Listing Rule 7.2 (Exception 13) and Listing Rule 10.15 Disclosure Requirements

The following information is provided in relation to Resolution 4 for the purposes of Listing Rule 7.2 (Exception 13) and Listing Rule 10.15:

- a) The current Directors to whom this Plan would apply are Messrs Robert Gardner, David Deloub and Jay Stephenson. As Directors, ASX Listing Rule 10.14.1 applies to Messrs Gardner, Deloub and Stephenson. As at the date of this Notice of Meeting, no other persons referred to in ASX Listing Rule 10.14, apart from these Directors, will be entitled to elect to participate in the Plan to acquire Plan Share Rights on the terms set out in the Explanatory Statement. Directors who are appointed or elected after Resolution 4 is approved will become entitled to elect to participate in the Plan but will not be permitted to do so until after any Shareholder approval required under ASX Listing Rule 10.14 (or otherwise under chapter 10 of the ASX Listing Rules) is obtained, or ASX grants a waiver from this requirement. There is no guarantee that a waiver will be applied for or, if sought, granted.
- b) If approved, the maximum number of Plan Share Rights (and hence Restricted Shares) that may be issued under the Plan on an annual basis will not exceed the value of annual fees payable to each of the Directors as set out below, which are the total remuneration packages of Messrs Gardner, Deloub and Stephenson as follows:
 - (i) Chairman (Robert Gardner): \$50,000;
 - (ii) Managing Director (David Deloub): \$90,000; and
 - (iii) Non-Executive Director (Jay Stephenson): \$40,000.

A Plan Share Right granted to a Director entitles the Director to be issued one (1) Restricted Share on exercise of a vested Plan Share Right. The Plan Share Rights will be issued under the terms of the Plan. Plan Share Rights under the Plan will accrue monthly and will be issued quarterly in arrears.

The exact number of Shares that will be issued under the Plan cannot be precisely calculated at this time, as it depends on the proportion of the annual Director fee that is settled in Plan Share Rights under the Plan.

In addition, the number of Plan Share Rights issued will depend on the value represented by an amount equal to the VWAP of Shares calculated for the last 5 trading days of the month in respect of which the Director's Annual Remuneration accrued (or if there are no Share trades, the last traded Share price). If each Director elected to receive the maximum number of Plan Shares (being the full amount of their annual fees excluding superannuation), and based on the 5 day VWAP as at the date of this Notice of \$0.011, the maximum number of Plan Share Rights that would be issued under the Plan would be 16,363,636 Plan Share Rights, however the Plan provides that the maximum number of Plan Share Rights that can be issued under the Plan following Shareholder approval is 20,000,000. Further Shareholder approval is required to be obtained before this maximum number can be changed.

- c) Participation in the Plan and the percentage of the Director's Annual Remuneration that the Director wishes to receive (either directly or through his Nominee) in Plan Share Rights depends on whether the offer and level of participation offered by the Company is accepted by the Director in the form of a Participation Agreement. The period for which the sacrifice

applies is a minimum of 3 months and a maximum of 12 months. An entitlement to Plan Share Rights will accrue to Participants on a monthly basis.

As such, neither the precise number nor the maximum number of Plan Share Rights (and Shares on their exercise) to be issued under the Plan can be ascertained in advance.

However, the number of Plan Share Rights to be issued to a Participant will be calculated monthly in arrears after the Director's Annual Remuneration being sacrificed has accrued and will equal, for each Participant, the number calculated after dividing the dollar value of the Director's Annual Remuneration sacrificed by that Participant by the Plan Share Price, which in relation to a month in which Annual Remuneration is accrued, an amount equal to the VWAP of Shares calculated for the last 5 trading days of the month in which the Annual Remuneration accrued or, if there are no Share trades, the last traded Share price.

- d) The Company intends to commence operation of the Plan with effect from the date of the Meeting in the event of Shareholder approval of Resolution 4.
- e) No consideration is payable for the grant of Plan Share Rights under the Plan, or on exercise of the Plan Share Rights under the Plan as participation in the Plan to acquire Plan Share Rights requires a Director to salary sacrifice a percentage of existing remuneration to which the Director is otherwise entitled.
- f) As at the date of the Meeting no Plan Share Rights (nor therefore any Restricted Shares on their exercise) will have been issued to any of Messrs Gardner, Deloub or Stephenson, or to any other person, under the Plan.
- g) Details of any Plan Share Rights issued under the Plan will be published in each annual report of the Company relating to the period in which they have been issued together with a statement that approval for the issue of the Plan Share Rights was obtained under Listing Rule 10.14.
- h) No loans have or will be made by the Company in connection with the grant of Plan Share Rights to any Director.
- i) The Board will use reasonable endeavours to issue Plan Share Rights within 10 Business Days of the end of each calendar quarter in the event a Participation Agreement is entered into with a Director and in any case, no later than three years after the date of the Meeting.
- j) The value the Company attributes to each Plan Share Right is the ASX closing price of the Shares on the date the Plan Share Rights are issued multiplied by the number of Plan Share Rights issued.
- k) In addition to the purposes of the Plan (refer to Annexure A, Plan Share Rights are proposed to be issued to Directors who, upon invitation of the Board, agree to participate in the Plan to allow the Directors to salary sacrifice their fees and defer the taxing point of any Plan Share Rights issued to them.
- l) Subject to the passage of Resolution 4, any Plan Share Rights granted on the terms set out in the Explanatory Statement (or Shares issued on the vesting and exercise of such Plan Share Rights) will not count towards calculating the Company's 15% capacity to issue shares under ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in Section 4.1

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

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

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Stonehorse Energy Limited (ACN 086 972 429).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

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

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2020.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

WST means Western Standard Time as observed in Perth, Western Australia.

ANNEXURE A – SUMMARY OF THE RULES OF THE DIRECTORS’ FEE SACRIFICE EQUITY PLAN

- (1) **Purpose** The objective of this Plan is to preserve the Company’s cash reserves, facilitate the acquisition of Plan Share Rights that can be exercised into Shares by Directors serving on the Board in a manner that will align their interests with shareholders and provide Directors with the flexibility to choose to receive part or whole of their annual remuneration in the form of Plan Share Rights which can be exercised into Shares. Its purpose is also to ensure that the Company can continue to attract, retain and motivate skilled and experienced Directors.
- (2) **Eligibility** All of the Company’s existing Directors and their nominees (**Nominees**) are eligible to participate in the Plan. Any additional people who become Directors, and are therefore eligible to participate in the Plan, will not be able to participate until either (i) Shareholder approval to the additional Director is obtained under Listing Rule 10.14 or (ii) ASX grants a waiver of this Listing Rule. There is no guarantee such a waiver will be granted or applied for.
- (3) **Entitlement** The Board may make an invitation to a Director under the Plan to receive (either directly or through a Nominee) part or all his or her total annual remuneration excluding Superannuation Guarantee contributions (**Annual Remuneration**) in the form of Plan Share Rights. Each individual Director may receive no more than 100% of their remuneration in Plan Share Rights.
- (4) **Plan Share Rights** One Plan Share Right can be exercised into one Share.
- (5) **Grant of Plan Share Rights** The rights to be issued to a Director, based on the amount of Board fees to be sacrificed on a pre-tax basis, will be in the form of Plan Share Rights (which are fully vested immediately on the date of grant), which the Board will use reasonable endeavours to issue within 10 Business Days of the end of each calendar quarter in the event a Participation Agreement under the Plan is entered into and in any case, no later than three years after the date of the Meeting.
- (6) **Participation Agreement** The Board must give to each Director it invites to participate under the Plan a participation agreement (**Participation Agreement**) to complete, sign and return to the Company, which will contain:
 - (a) the percentage of the Director’s Annual Remuneration that may be sacrificed for Plan Share Rights (as applicable), that can be no more than as permitted under the Plan and the Listing Rules (**Nominated Percentage**);
 - (b) the period for which the sacrifice applies (which is a minimum of 3 months and a maximum of 12 months), including proposed commencement date; and
 - (c) provisions to allow the Director to nominate a Nominee through which to participate in the Plan and to provide any such Nominee’s name and address.

By completing, signing and returning to the Company the Participation Agreement given to a Director, the Director and any Nominee offers to participate under the Plan and, on acceptance by the Board of the offer, a contract is formed between the Company, the Participant and the Director. The Board may, in its absolute discretion, accept or reject this offer and is under no obligation to provide a Director with any reason for doing so. The Board must provide written notification to the Director of its decision to accept or reject the offer within 5 Business Days after the receipt of the offer.

- (7) **Participant** Upon acceptance of the Participation Agreement by the Board, the Director (and his or her Nominee) becomes a participant in the Plan (Participant) and agrees to be bound

by the Rules and, from the time of issue of any Shares under the Plan, to be bound by the constitution of the Company.

- (8) **Termination of participation** The participation of a Participant in the Plan will terminate upon: (i) the Participant (or in the case of a Nominee, the appointing Director) ceasing to be a director; (ii) the Board terminating the participation of the Participant; or (iii) the Director providing a notice in writing to this effect to the Company.
- (9) **Resignation as Director** In the event that a Participant, or the Director for whom the Participant is a Nominee, resigns as a director, the Company must issue to the Participant (in respect of the quarter in which he resigns), the pro rata number of Plan Share Rights for the period of the quarter (as applicable under the Participation Agreement) prior to the resignation.
- (10) **Accrual of Plan Share Rights** An entitlement to Plan Share Rights will accrue to Participants on a monthly basis.
- (11) **Timing of issue** The Company will issue and allot Plan Share Rights to the Participants under the Plan on a quarterly basis, within 10 Business Days of the end of each calendar quarter, in respect of a relevant Participation Agreement.
- (12) **Number of Plan Share Rights to be granted** The number of Plan Share Rights to be issued to a Participant will be calculated monthly in arrears after the Director's Annual Remuneration being sacrificed has accrued and will equal, for each Participant, the number calculated after dividing the dollar value of the Director's Annual Remuneration sacrificed by that Participant by the Plan Share Price.
- (13) **Plan Share Price** in relation to a month in which Annual Remuneration is accrued, an amount equal to the volume weighted average price per Share traded on the ASX over the last five (5) trading days of the month in which the Annual Remuneration accrued, or, if there were no such trades in that period of time, an amount equal to the last traded price per Share.
- (14) **Board's discretion in relation to the issue** If at any time the Board determines that the allocation of Plan Share Rights to a Director under the Plan would result in the Company contravening the Corporations Act, the Listing Rules, the Constitution, or any applicable local laws, or is otherwise inappropriate in the circumstances, the Board must not issue the Plan Share Rights. The Board may defer the allocation of Plan Share Rights for a maximum of 6 months, pay to the Director in cash the corresponding amount of his or her annual Director fee, or terminate the Director's participation in the Plan.
- (15) **Plan Share Rights may not be disposed of or transferred or encumbered** Plan Share Rights may not be disposed of or transferred or otherwise dealt with and lapse immediately on any purported disposal, transfer or dealing unless the transfer is effected by operation of law on death or legal incapacity to the Participant's legal personal representative.
- (16) **Vesting of Rights** Plan Share Rights granted under these Rules will be fully vested on the date of grant.
- (17) **Exercise of Rights** Unvested Plan Share Rights may not be exercised. To exercise a vested Plan Share Right, the Participant must deliver a signed Notice of Exercise at any time on or prior to the Expiry Date. A holding of Plan Share Rights can be exercised in whole or in part at any time up to and including the Expiry Date on exercise of a Plan Share Right, the Board will issue one Share for each Plan Share Right to Participants. The Shares that result from the exercise of Plan Share Rights are Plan Shares.
- (18) **Expiry Date** means, in relation to a Plan Share Right, the date on which the first to occurs of

the following:

- (a) a Participant (or where applicable, the Related Director) resigns as a Director.
 - (b) the end of the 15 year period commencing when the Participant was issued the Plan Share Right.
- (19) **Restrictions on issue of Plan Shares** If, as a result of any applicable law or the Company's Share Trading Policy, a Plan Share cannot be issued, the Plan Share will then be issued as soon as such an issue can be made in compliance with all applicable laws and the Share Trading Policy. If the issue of Plan Shares is postponed following their due date for issue, the number of Plan Shares to be issued will not change despite the fact that the prevailing Share price may rise or fall during the postponed period.
- (20) **Disposal restrictions attached to Shares** All Plan Shares acquired by Participants as a consequence of the exercise of Plan Share Rights may not be sold or disposed of in any way until such time as their disposal would not breach either the Company's Share Trading Policy, or Division 3 of Part 7.10 of the Corporations Act. The Company may impose a CHESS holding lock on Plan Shares to ensure the Participant does not sell them earlier than permitted under the Rules.
- (21) **No hedging** A Participant must not enter an arrangement with anyone if that arrangement would have the effect of limiting the Participant's exposure to risk in relation to Plan Share Rights or Plan Shares.
- (22) **Plan Share entitlements** Plan Share Rights do not carry any voting rights in the Company, do not confer any right to participate in the surplus profits or assets of the Company upon winding up of the Company and do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (23) **Bonus issues, rights issues and capital reorganisation** Participants holding Plan Share Rights will be treated in a manner that does not advantage or disadvantage them compared with other Shareholders in the event of a bonus issue, rights issue and/or capital reorganisation.
- (24) **Cessation of office of Director** If a Participant, or the Director for whom the Participant is a Nominee, ceases to be a Director any unexercised Plan Share Rights held by that Participant will be exercised automatically the day following cessation, and the Board will act to remove any CHESS holding lock applied by the Company to Plan Shares held by or on behalf of the Participant, unless otherwise determined by the Board and notified to the Participant in order to comply with all applicable laws and the Company's Share Trading Policy.
- (25) **Rights attaching to Plan Shares** The Plan Shares issued on the exercise of Plan Share Rights will rank equally, in relation to dividends, voting and all other rights, with all other existing Shares.
- (26) **Quotation of Plan Shares on ASX** If Plan Shares are in the same class as Shares which are listed on the ASX, the Company will apply for quotation of the Plan Shares issued within the time required by the Listing Rules after the date of issue.
- (27) **Employee Share Scheme taxing provisions to apply** Subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth) applies to all Plan Share Rights and Plan Shares under this Plan.
- (28) **Registration** Plan Share Rights issued under the Plan (and Plan Shares issued on their exercise) must be registered in the name of the Participant. As soon as practicable after the issue of any Plan Share Rights or Plan Shares, the Company must issue a holding statement

in the name of the Participant that specifies the number of Plan Share Rights or Plan Shares issued to that Participant.

- (29) **Suspension and termination of the Plan** The Plan may be suspended at any time by the Board. The period of suspension is at the discretion of the Board. The Board may terminate the operation of the Plan at any time by resolution of the Board. The suspension or termination of the Plan will not prejudice the existing rights of Participants (and where applicable, the Related Directors).
- (30) **Administration** The Plan will be administered by the Board, (or the Board may appoint another party to administer the Plan on its behalf) and the Board is authorised to establish such guidelines for the administration of the Plan as it deems appropriate in its sole discretion, with the Board's decisions being final and binding on all participants.
- (31) **Board's discretion and final decision** Except as otherwise expressly provided in the Plan, the Board has absolute and unfettered discretion to act or refrain from acting under or in accordance with the Plan and in the exercise of any power or discretion under the Plan. A decision of the Board as to the interpretation, effect or application of the Rules will be final and conclusive, and binding on all Participants
- (32) **Maximum number of Plan Share Rights that can be issued** The maximum number of Plan Share Rights that can be issued under this Plan with Shareholder approval (which Shareholder approval is in addition to the Shareholder approval to originally approve the Plan) is 100,000,000.
- (33) **Limitation under *Income Tax Assessment Act 1997 (Cth)*** Despite any other provision of these Rules, no Participant is entitled to be issued Plan Share Rights under this Plan if, before or immediately after that person is issued with the Plan Share Rights the person and their associates holds a beneficial interest in more than 10% of the total Shares on issue or that would be on issue if all Plan Share Rights issued under the Plan were exercised, and the person and their associates are in a position to cast, or to control the casting of, more than 10% of the maximum number of votes that might be cast at a general meeting of the Company if all Plan Share Rights issued under the Plan were exercised.
- (34) **Board determinations and amendments to the Plan** The Board may at any time by written instrument or by resolution amend all or any of the provisions of the Rules. However no amendment may reduce a Participant's existing rights in respect of any invitation that had commenced prior to the date of the amendment other than:
- with the Participant's consent;
 - for the purpose of complying with law, or regulation, or Listing Rules;
 - to correct a manifest error or mistake;
 - to address possible adverse tax consequences for the Company or Participants generally.
- (35) **Not exclusive method of remuneration** This Plan is not the exclusive method of providing remuneration to Directors and does not preclude it from authorising or approving other forms of remuneration.
- (36) **No right to retain Office** Neither the establishment of the Plan nor the entry into of a Participation Agreement nor the payment of an award nor the vesting of Plan Share Rights or any other action under the Plan shall be held to confer upon any Participant, or the Director for whom the Participant is a Nominee, the right to continue to hold office as Director or affect any rights the Company may have to remove the Participant, or the Director for whom the Participant is a Nominee, from the office of Director.

- (37) **Relationship to other plans** Participation in this Plan does not affect participation in or payment under any other plan of the Company, except as otherwise determined by the Board.
- (38) **Governing law** the Rules are governed by the laws of Western Australia and the Commonwealth of Australia.

PROXY FORM

STONEHORSE ENERGY LIMITED
ACN 086 972 429

ANNUAL GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 1:30pm (WST), on 27 November 2019 by zoom meeting and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 and 4 (except where I/we have indicated a different voting intention below) even though Resolution 1 and 4 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Mr Jay Stephenson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of the Directors' Fee Sacrifice Equity Plan and the Issue of Plan Share Rights and Shares on the Exercise of Plan Share Rights under the Directors' Fee Sacrifice Equity Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail in relation to this Proxy Form: YES NO

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(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 of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Lodgement of Proxy Form):** Proxy forms can be lodged:
 - (a) by completing and signing the enclosed Proxy Form and returning by:
 - (i) post to Stonehorse Energy Limited, 283 Rokeby Road, Subiaco WA 6008;
 - (ii) facsimile to the Company on facsimile number +61 8 6489 1601;
 - (iii) hand delivering to Computershare Investor Services Pty Ltd Level 11, 172 St Georges Terrace, Perth WA 6000; or
 - (iv) email to the Company at jay.stephenson@foresthouse.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.