

Notice of General Meeting and Explanatory Memorandum

Phoslock Water Solutions Limited ACN 099 555 290

Date: Friday, 15 February, 2013

Time: 9.00 am

Venue: Radar Group

Level 7

107 Pitt Street

Sydney, NSW

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Phoslock Water Solutions Limited

ACN 099 555 290

Dear Shareholder,

I am pleased to invite you to attend a General Meeting of Phoslock Water Solutions Limited (**Company**) to be held at 9.00 am on Friday, 15 February, 2013. The General Meeting will be held at the offices of the Radar Group, Level 7, 107 Pitt Street, Sydney, NSW.

I enclose your Notice of Meeting, Explanatory Memorandum and Proxy Form.

The Notice of Meeting (including the Explanatory Memorandum) sets out the items of business for the General Meeting. Please take the time to carefully read the whole document.

To help you understand what the Notice of Meeting contains, below is an outline of the items of business that are proposed for the General Meeting:

1. Issue of Convertible Notes to Link Traders (Aust.) Pty Ltd

Shareholders are being asked to approve an issue of \$1.3 million convertible notes to Link Traders, a company associated with me. Those notes will repay an existing facility with Link Traders.

2. Issue of PWS Options to Mr Robert Schuitema

The proposed issue of 15 million options at an exercise price of 10 cents per Share to Mr Robert Schuitema is to better align his interests with that of the Company and its Shareholders.

If you would like to vote on the items of business outlined in the Notice of Meeting, you may attend the General Meeting in person or appoint a proxy to vote on your behalf at the General Meeting. If appointing a proxy, the enclosed Proxy Form should be completed and returned to the Company (see Proxy Form for details) as soon as possible and, in any event, no later than 9.00 am on Thursday, 14 February, 2013. We encourage you to direct your proxy how to vote on each item of business.

If you have any queries in relation to the General Meeting, please contact the undersigned on (02) 9439 7715.

Yours sincerely,



Laurence Freedman AM
Chairman
Sydney, Australia
15 January 2013

Notice of General Meeting

NOTICE IS GIVEN that a General Meeting of Phoslock Water Solutions Limited ACN 099 555 290 (**Company**) will be held at 9.00 am on Friday, 15 February, 2013 at the offices of the Radar Group, Level 7, 107 Pitt Street, Sydney, NSW.

The Explanatory Memorandum accompanying this Notice of Meeting is incorporated in and forms part of this Notice of Meeting.

Agenda

Business

Item 1. Issue of Convertible Notes to Link Traders (Aust.) Pty Ltd (Resolution 1)

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,300 Convertible Notes to Link Traders (Aust.) Pty Ltd at an issue price of \$1,000 per Convertible Note on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 1 by Link Traders and any associate of Link Traders. However, the Company need not disregard a vote on Resolution 1 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 a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

Item 2. Issue of PWS Options to Mr Robert Schuitema (Resolution 2)

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 15 million PWS Options to Mr Robert Schuitema on the terms set out in the Explanatory Memorandum.”

Voting exclusion statement

The Company will disregard any votes cast on Resolution 2 by Mr Robert Schuitema and any of his associates. However, the Company need not disregard a vote on Resolution 2 if:

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction 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.*

Important Notes

1. For further information and explanation on the above Resolutions, please refer to the Explanatory Memorandum which accompanies this Notice of Meeting.
2. All Resolutions are required pursuant to the provisions of the Listing Rules of ASX.

By Order of the Board

A handwritten signature in black ink, appearing to read 'R. Schuitema', with a stylized flourish at the end.

**Robert Schuitema
Company Secretary
Sydney, Australia
15 January 2013**

Voting and Proxies

1. Determination of Shareholding and Voting Entitlement

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors have determined that the Shares will be taken, for the purpose of determining those persons entitled to attend and vote at the General Meeting, to be held by the persons who are registered as holding them as at 7.00 pm on Wednesday, 13 February, 2013.

Accordingly, transactions registered after that time will be disregarded when determining entitlements to attend and vote at the General Meeting.

2. Votes of Members

On a show of hands, each Shareholder present in person or by proxy or attorney or, in the case of a body corporate, by a representative at the General Meeting will have one vote. On a poll, every Shareholder present in person or by proxy or attorney or, in the case of a body corporate, by a representative will have one vote for each Share held by him or her.

3. Important Voting Information

The Company encourages all Shareholders who submit proxies to direct their proxy how to vote on the Resolutions.

If you intend to appoint the Chairman as your proxy, you can direct him how to vote by marking the appropriate boxes for Resolutions 1 and 2 (for example, if you wish to vote "for", "against" or "abstain" from voting) or you can not mark any of the boxes and give the Chairman your express authority (even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP) to vote your undirected proxy (in which case, the Chairman will vote in favour of Resolutions 1 and 2).

If you do not wish to direct the Chairman how to vote on Resolution 1, you must mark the appropriate box in the Proxy Form otherwise the Chairman will not cast your votes on Resolution 1.

If you intend to appoint another member of the KMP (such as one of the Directors) or one of their Closely Related Parties as your proxy, please ensure that you direct them how to vote on Resolution 2.

If you leave your Proxy Form undirected in relation to Resolution 2, the KMP (other than the Chairman) and their Closely Related Parties will not be able to cast your vote on that Resolution.

3. Proxies

A Shareholder who is entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote on behalf of the Shareholder. Where the Shareholder is entitled to cast 2 or more votes, the Shareholder may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If the Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions).

A proxy need not be a Shareholder of the Company.

A Proxy Form accompanies this Notice of Meeting. The Proxy Form contains important information and other instructions which you should read carefully.

Any instrument of proxy deposited or received by the Company in which the name of the appointee is not filled in will be deemed to be given in favour of the Chairman of the meeting to which it relates.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions or signed by a duly authorised officer or attorney.

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the constitution of the Company to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how 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 he or she thinks fit (subject to the exceptions set out above under "**Important Voting Information**" above).

To be effective, the instrument appointing a proxy (and power of attorney or other authority, if any, under which it is signed or a certified copy of the power or authority) must be received by the Company not less than 24 hours prior to the General Meeting, that is, by 9.00 am on Thursday, 14 February, 2013:

- by mail to PO Box 521, St Leonards, Sydney, NSW, 1590 or the registered office of the Company; or
- by delivery to the Company's registered office, being Suite 302, Level 3, 110 Pacific Highway, St Leonards, Sydney, NSW, 2065; or
- by facsimile on (02) 9460 8973.

4. Bodies Corporate

A Shareholder which is a body corporate and which is entitled to attend and vote at a meeting of Shareholders of the Company may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at the meeting or in the capacity of the Shareholder's proxy. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on that body corporate's behalf, all of the powers that the body could exercise at a meeting or in voting on a resolution. The representative must present satisfactory evidence that they are authorised to act as the company's representative prior to admission to the meeting.

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders of Phoslock Water Solutions Limited ACN 099 555 290 (**Company**) in connection with the business to be considered at the General Meeting to be held at 9.00 am on 15 February, 2013 at the offices of the Radar Group, Level 7, 107 Pitt Street, Sydney, NSW.

This Explanatory Memorandum is incorporated in, and forms part of, the accompanying Notice of Meeting. The purpose of this Explanatory Memorandum is to provide Shareholders with information relevant to the Resolutions to be put to Shareholders at the General Meeting.

Terms and expressions used in this Explanatory Memorandum, the Notice of Meeting and the Proxy Form have the meaning given to them in the "**Definitions**" section located at the end of this Explanatory Memorandum.

Details of the items of business to be considered at the General Meeting are set out below.

Item 1. Issue of Convertible Notes to Link Traders (Aust.) Pty Ltd (Resolution 1)

Background

Link Traders is a party related to the Chairman, Mr Laurence Freedman AM. On 21 February 2012 Link Traders, the Company, PPL, and PTP entered into the Loan Facility Deed whereby Link Traders agreed to provide a \$1 million working capital loan facility to PPL on commercial terms, repayable on or before 29 March 2013. This working capital loan facility was increased from \$1 million to \$1.3 million on 7 November, 2012. The Company and PTP agreed to guarantee the obligations of PPL under the Loan Facility Deed.

PPL and PTP are both wholly-owned subsidiaries of the Company.

In order to better fund the working capital requirements of the Company and its subsidiaries, the Directors (other than Mr Freedman) have determined that the working capital loan facility provided by Link Traders to PPL under the Loan Facility Deed, should be repaid by the Company issuing 1,300 Convertible Notes to Link Traders at an issue price of \$1.3 million. Unless converted, the Convertible Notes are repayable on 31 December, 2013 (or such later date as is agreed). Shares issued on conversion of a Convertible Note will have an issue price of 4.6 cents each. This is the same issue price under the recently announced share purchase plan of the Company.

Resolution 1 seeks Shareholder approval to issue the 1,300 Convertible Notes to Link Traders for the purposes of Listing Rule 10.11. Link Traders is a party related to the Chairman, and currently holds a 19% shareholding in the Company. If all of the Convertible Notes are converted by Link Traders, its percentage holding in the Company will increase to approximately 28.7% (assuming no other Shares are issued by the Company in the meantime and subject to the requirements of the Corporations Act). There is no assurance that the Convertible Notes issued to Link Traders will be converted.

Terms of the issue of Convertible Notes

To give effect to the issue of Convertible Notes to Link Traders and the repayment of \$1.3 million working capital facility, the Company will enter into a subscription agreement with Link Traders pursuant to which the Company will agree to issue 1,300 Convertible Notes at an issue price of \$1,000 per Convertible Note (**Link Subscription Agreement**).

The key terms of the Link Subscription Agreement are as follows:

- Link Traders agrees to subscribe for and the Company agrees to issue 1,300 Convertible Notes for \$1,000 per Convertible Note;
- completion of the issue of Convertible Notes to Link Traders is conditional upon Shareholder approval for the purposes of the Listing Rules, including Listing Rule 10.11 (being Resolution 1) (**Condition Precedent**);

- completion of the issue of Convertible Notes to Link Traders will occur on the later of the date the Link Subscription Agreement is signed and the 5th Business Day after satisfaction or waiver of the Condition Precedent;
- the Convertible Notes are issued subject to the terms and conditions of the Deed Poll (summarised below);
- the amount raised from the issue of the Convertible Notes will be applied in repayment of the principal amount owing under the Loan Facility Deed;
- each of PPL and PTP agree to guarantee the payment obligations of the Company under the Convertible Notes (as set out in the Deed Poll); and
- each of the Company, Link Traders, PPL and PTP has provided representations and warranties that are customary for agreements of this nature.

The Deed Poll sets out the terms of the Convertible Notes. The key terms of the Convertible Notes as set out in the Deed Poll are as follows:

- the issue price for each Convertible Note is \$1,000;
- interest of 15% per annum is payable on each Convertible Note from the date of issue until the Convertible Note is converted into Shares in the Company or repaid by the Company. This is the same interest rate under the Loan Facility Deed;
- the holder of a Convertible Note may convert the Convertible Note into Shares in the Company at any time from the date of issue until the Business Day immediately preceding the Maturity Date;
- the number of Shares to be issued on conversion of 1 Convertible Note is 21,739 (being an issue price per Share of 4.6 cents);
- the Company must not convert, and a holder of a Convertible Note must not seek to convert, any or all of the Convertible Notes if to do so would involve a breach of the Corporations Act or any other law;
- any Convertible Notes not converted to Shares on the Maturity Date must be repaid by the Company at its face value of \$1,000, plus all accrued interest on the Convertible Note; and
- Convertible Notes are freely transferrable.

A copy of the Deed Poll is available to Shareholders upon request to the Company Secretary.

Listing Rule 10.11

Listing Rule 10.11 provides that, unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not, without the approval of Shareholders, issue or agree to issue equity securities to a Related Party, or a person whose relationship with the listed company, or a Related Party of a listed company, is in ASX's opinion, such that approval should be obtained.

Link Traders is an entity which is ultimately controlled by the Chairman, and is therefore a Related Party of the Company for the purposes of the Listing Rules.

In accordance with Listing Rule 7.2 (Exception 14) if approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1. Accordingly, the issue of the Convertible Notes to Link Traders will not be included in the 15% limit of the Company's annual placement capacity pursuant to Listing Rule 7.1.

Listing Rule 10.13 requirements for the issue of Convertible Notes to Link Traders

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders to assist them whether to approve Resolution 1:

- under the Link Subscription Agreement, the Company intends to issue 1,300 Convertible Notes to Link Traders. Each Convertible Note is convertible any time from the date of issue until the Business Day immediately preceding the Maturity Date into 21,739 Shares;

- if Resolution 1 is passed, the issue of the Convertible Notes to Link Traders will occur on the later of the date the Link Subscription Agreement is signed, and the 5th Business Day after Resolution 1 is passed (and in any event, no later than the date which is 1 month after the date of this General Meeting);
- Link Traders is a company which is ultimately controlled by the Chairman and is therefore a Related Party of the Company;
- the Convertible Notes will be issued to Link Traders at a price of \$1,000 per Convertible Note. Each Convertible Note is convertible into 21,739 Shares (being an issue price per Share of 4.6 cents). The maximum number of Shares which may be issued if all Convertible Notes are converted is 28,260,700 Shares. Upon conversion, the Shares issued to the holder of a Convertible Note will rank pari passu in all respects from the date of issue with the existing Shares of the Company. The Company will apply for official quotation on ASX of all Shares issued pursuant to a conversion of a Convertible Note;
- a voting exclusion statement in respect of Resolution 1 is set out in the Notice of Meeting and also below; and
- it is intended that the funds raised by the issue of Convertible Notes to Link Traders will be used to repay the principal amount owing under the Loan Facility Deed.

Directors' Recommendation

The Directors (other than the Chairman, who has declined to make a recommendation due to his position as director and ultimate controller of Link Trading) recommend that Shareholders vote in favour of Resolution 1 for the reasons set out above. In particular, the Directors consider that the issue to Link Traders of 1,300 Convertible Notes at \$1,000 per Convertible Note is reasonable, as the terms and interest payable are commercial.

Voting Exclusion Statement

In accordance with Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on Resolution 1 by Link Traders and any of its associates. 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 General Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Item 2. Issue of PWS Options to Mr Robert Schuitema (Resolution 2)

Background

In order to continue to optimally align the Managing Director's (Mr Schuitema) performance based rewards with the interests of Shareholders generally, the Company proposes to issue 15 million PWS Options to Mr Schuitema. The proposed terms and conditions attaching to the PWS Options including applicable vesting conditions are set out below.

The issue of options as part of the remuneration packages of directors is an established practice of small and medium sized publicly listed companies and has the benefit of conserving cash whilst properly rewarding and incentivising each director.

Listing Rule 10.11

Listing Rule 10.11 provides that, unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not, without the approval of Shareholders, issue or agree to issue equity securities to a Related Party, or a person whose relationship with the listed company, or a Related Party of a listed company, is in ASX's opinion, such that approval should be obtained.

Mr Schuitema being a Director is a Related Party.

In accordance with Listing Rule 7.2 (Exception 14) if approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1. Accordingly, the issue of the PWS Options to Mr Schuitema will not be included in the 15% limit of the Company's annual placement capacity pursuant to Listing Rule 7.1.

Chapter 2E of the Corporations Act

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of the public company, the public company must:

- obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Section 211 of the Corporations Act provides that member approval is not required under section 208 to give a financial benefit if (among other things) the benefit is remuneration to a related party as an officer or employee of the public company, and to give the remuneration would be reasonable given the circumstances of the public company or entity giving the remuneration and the related party's circumstances (including the responsibilities involved in the office or employment).

The issue of the PWS Options to Mr Schuitema is:

- being given as part of Mr Schuitema's remuneration package as managing director of the Company; and
- the issue of the PWS Options is reasonable in the circumstances given the high performance target and exercise price (discussed further below).

The issue of the PWS Options to Mr Schuitema therefore falls within section 211 of the Corporations Act and Shareholder approval for the issue of PWS Options will only be sought under Listing Rule 10.11 (and not Chapter 2E of the Corporations Act).

Listing Rule 10.13 requirements for the issue of PWS Options to Mr Schuitema

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders to assist them whether to approve Resolution 2:

- Mr Schuitema is a Related Party of the Company by virtue of being a Director of the Company;
- Mr Schuitema will be issued with 15 million PWS Options;
- the PWS Options will be issued within 1 month after the date of this General Meeting;
- the PWS Options, the subject of this Resolution 2, will be issued for nil consideration. No funds will be raised from the issue. The Company will raise a total of \$1.5 million if all the PWS Options are exercised during the exercise period. It is anticipated that any funds raised from the exercise of the PWS Options will be used for working capital purposes of the Company. There is no guarantee that the PWS Options will be exercised at all; and
- a voting exclusion statement in respect of Resolution 2 is set out in the Notice of Meeting and also below.

Terms and Conditions of PWS Options

The terms and conditions of the PWS Options are:

- each PWS Option entitles the holder, on exercise, to one Share;
- each PWS Option is exercisable at \$0.10 (10 cents);
- each PWS Option will expire at 5.00 pm on the first anniversary of its vesting date;
- the PWS Options will vest in 3 tranches as set out in the table below. Any tranche of the PWS Options which does vest on a vesting date will automatically lapse;

- vesting of a tranche of PWS Options will be conditional upon the vesting conditions set out below in relation to that tranche being satisfied;
- all tranches are conditional upon Mr Schuitema still being employed by the Company at the applicable vesting date;
- all Shares issued on the exercise of the PWS Options will rank equally in all respects with the Company's existing issued Shares;
- a PWS Option is only transferrable with the consent of the Company;
- there is no participating rights or entitlements inherent in the PWS Options;
- the Company will not apply to ASX for official quotation of the PWS Options;
- the Company will apply for quotation by ASX of all Shares issued upon the exercise of the PWS Options;
- if the Company makes a bonus issue of Shares to existing Shareholders, the number of Shares over which PWS Options are exercisable may be increased by the number of Shares that the holder would have received if the holder had exercised the PWS Options immediately before the record date for the bonus issue;
- if the Company makes a pro rata issue (other than a bonus issue) of Shares to existing Shareholders after the date of issue of PWS Options, the exercise price of a PWS Option will be adjusted in accordance with the formula set out in Listing Rule 6.22.2; and
- in the event of any reconstruction of the issued capital of the Company prior to the expiry date, all rights of the PWS Option holder will be varied in accordance with the Listing Rules.

Tranches

Tranche	No. of PWS Options	Vesting Conditions	Vesting Date
1	5,000,000	<p>The full amount of this tranche of PWS Options will vest if Sales in the Option Calculation Period are greater than \$100 million.</p> <p>If Sales in the Option Calculation Period are greater than \$50 million but equal to or less than \$100 million, only 50% of this tranche of PWS Options (being 2,500,000 PWS Options) will vest.</p>	01.01.14
2	5,000,000	<p>The full amount of this tranche of PWS Options will vest if Sales in the Option Calculation Period are greater than \$100 million.</p> <p>If Sales in the Option Calculation Period are greater than \$50 million but equal to or less than \$100 million, only 50% of this tranche of PWS Options (being 2,500,000 PWS Options) will vest.</p>	01.01.15
3	5,000,000	<p>The full amount of this tranche of PWS Options will vest if Sales in the Option Calculation Period are greater than \$100 million.</p>	01.01.16

Tranche	No. of PWS Options	Vesting Conditions	Vesting Date
		If Sales in the Option Calculation Period are greater than \$50 million but equal to or less than \$100 million, only 50% of this tranche of PWS Options (being 2,500,000 PWS Options) will vest.	

Directors' Recommendation

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

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 2 by Mr Schuitema and any of his associates. However, the Company need not disregard a vote on Resolution 2 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction 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.

Definitions

Unless the context requires otherwise, the following words shall have the following meanings in this Explanatory Memorandum, the Notice of Meeting and the Proxy Form:

- (1) **\$** refers to Australian dollars.
- (2) **ASX** means ASX Limited ACN 008 624 691 or, as the context requires, the market operated by it.
- (3) **Board** means the board of directors of the Company.
- (4) **Business Day** means a day on which banks are open for business in Sydney excluding a Saturday, Sunday or public holiday.
- (5) **Closely Related Party** has the meaning given in section 9 of the Corporations Act and includes a spouse, dependent and certain other close family members, as well as companies controlled by a KMP.
- (6) **Company** means Phoslock Water Solutions Limited ACN 099 555 290.
- (7) **Condition Precedent** means the condition precedent to the issue of Convertible Notes to Link Traders under the Link Subscription Agreement, being Shareholder approval for the issue of the Convertible Notes for the purposes of the Listing Rules (including Listing Rule 10.11).
- (8) **Convertible Note** means a convertible note issued under the Link Subscription Agreement on the terms set out in the Deed Poll, with a face value of \$1,000.
- (9) **Corporations Act** means the *Corporations Act 2001* (Cth).
- (10) **Deed Poll** means the deed poll signed and delivered by the Company, setting out the terms and conditions on which the Convertible Notes are constituted and issued.
- (11) **Directors** means the directors of the Company from time to time.
- (12) **Explanatory Memorandum** means this Explanatory Memorandum.
- (13) **General Meeting** means the extraordinary general meeting of the Company convened by the Notice of Meeting.
- (14) **Key Management Personnel** or **KMP** means persons having authority and responsibility for planning, directing and controlling the activities of the Company and its controlled entities, directly or indirectly, including any Director (whether executive or otherwise).
- (15) **Link Subscription Agreement** means the subscription agreement between Link Traders and the Company in relation to the issue of 1,300 Convertible Notes.
- (16) **Link Traders** means Link Traders (Aust.) Pty Ltd ACN 002 065 849.
- (17) **Listing Rules** means the listing rules of ASX (as amended or waived).
- (18) **Loan Facility Deed** means the loan facility deed entered into between the Company, PPL, PTP and Link Traders on or about 21 February 2012, and amended on or about 7 November 2012, for the provision of a \$1.3 million working capital facility to PPL.
- (19) **Maturity Date** means, in respect of a Convertible Note, 31 December 2013 or such other date as agreed between the Company and the holder of a Convertible Note.
- (20) **Notice of Meeting** means the notice of General Meeting accompanying this Explanatory Memorandum.
- (21) **Option Calculation Period** means the period commencing on the date 12 months immediately prior to the vesting date of a tranche of PWS Options, and ending at 11.59pm on the date before the vesting date for that tranche of PWS Options (for example, the Option Calculation Period for

tranche 1 of the PWS Options commences on 1 January 2013 and ends at 11.59pm on 31 December 2013).

- (22) **PPL** means Phoslock Pty Ltd ACN 087 115 295, a wholly-owned subsidiary of the Company.
- (23) **Proxy Form** means the proxy form accompanying this Explanatory Memorandum.
- (24) **PTP** means Phoslock Technologies Pty Ltd ACN 117 501 587, a wholly-owned subsidiary of the Company.
- (25) **PWS Option** means an option to acquire a Share.
- (26) **Related Party** has the meaning given in the Listing Rules.
- (27) **Resolutions** means the resolutions set out in the Notice of Meeting.
- (28) **Sales** means, in respect of an Option Calculation Period, the consolidated gross revenue of the Company and its subsidiaries for that Option Calculation Period.
- (29) **Shareholder** means a person or entity entered in the Company's register of members from time to time as the holder of Shares.
- (30) **Shares** means fully paid ordinary shares in the capital of the Company quoted on the ASX under the code "PHK".

All references to time in the Notice of Meeting are to Sydney time.

Shareholder Proxy Form

Phoslock Water Solutions Limited, Suite 302, Level 3, 110 Pacific Road, St Leonards, Sydney, NSW, 2065

Please post all Proxies to PO Box 521, St Leonards, NSW 1590.

I/We

of

appoint

or in his/her absence.....

of

or, if no person is named above or is absent, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the General Meeting of the Company to be held at 9.00 am on Friday, 15 February, 2013 and at any adjournment of that meeting.

Important Notes: *If you appoint a proxy, we encourage you to direct your proxy how to vote on each item of business.*

If the Chairman of the General Meeting is appointed as your proxy (or becomes your proxy by default), you expressly authorise the Chairman to exercise your proxy on Resolutions 1 and 2 (except where you have indicated a different voting intention below) even though Resolutions 1 and 2 are connected directly or indirectly with the issue of securities to an associate of the Chairman (in respect of Resolution 1) and the remuneration of a member of the KMP of the Company (in respect of Resolution 2).

Important for Resolution 1: *If the Chairman of the General Meeting is appointed as your proxy or is appointed your proxy by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of Resolution 1, please place a mark in this box:*

By marking this box, you acknowledge that the Chairman of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolution 1 and that votes cast by the Chairman of the General Meeting for that Resolution (other than as proxy holder) will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the General Meeting will not cast your votes on Resolution 1 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 1.

The Chairman of the General Meeting intends to vote all undirected proxies in favour of each Resolution.

Other than in the circumstance contemplated above, Directors, other KMP of the Company and their Closely Related Parties (see Notice of Meeting and overleaf) are not permitted to cast any votes in respect of Resolution 2 that arise from any undirected proxy that they hold. If the Directors or another KMP (other than the Chairman of the Meeting) is your proxy, and you fail to provide a voting direction in respect of Resolution 2, your vote will not be cast.

If appointing a second proxy please state the number of shares or the percentage of voting rights applicable to this Proxy Form.

Number of shares OR %

I/We direct my/our proxy to vote in respect of the Resolutions to be considered as indicated with an "X" below, and to vote or abstain in respect of any procedural resolution as my/our proxy thinks fit.

	FOR	AGAINST	ABSTAIN*
Resolution 1: issue of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2: issue of PWS Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no direction is given above, I/we authorise my/our proxy to vote or abstain as my/our proxy thinks fit in respect of the Resolution to be considered by the meeting and any adjournment of the meeting (subject to the restrictions set out in "Important Notes" above).

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

Individual or Shareholder 1

**Individual/Sole Director or Sole
Company Secretary**

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date:

This form should be signed by the Shareholder. If a joint holding, all Shareholders must sign. If signed by the Shareholder's attorney, the power of attorney must have been previously lodged with the Company or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

Instructions for completing this Proxy Form

Appointment of proxy

Insert the name of your proxy, if your proxy is someone other than the Chairman of the General Meeting. If you leave the appointment section of this Proxy Form blank or your named proxy is unable to attend, the Chairman of the General Meeting for the time being will be your proxy to vote your Shares. Your proxy need not be a Shareholder of the Company.

You may appoint one or 2 proxies to attend and vote at the General Meeting on your behalf. If you appoint 2 proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes in which case any fraction of votes will be disregarded. Where a Shareholder appoints more than one proxy, neither proxy is entitled to vote on a show of hands. If you require an additional Proxy Form, the Company will supply it on request.

Voting directions to your proxy

You should direct your proxy how to vote by placing a mark in 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 (subject to any voting exclusion) 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.

The Chairman of the General Meeting intends to vote all undirected proxies in favour of each Resolution.

In relation to Resolution 1, if the Chairman of the General Meeting is your proxy or is appointed your proxy by default, unless you tick the box in the "IMPORTANT FOR RESOLUTION 1" section or the 'FOR', 'AGAINST' or 'ABSTAIN' box in relation to that Resolution, the Chairman will not cast your votes on Resolution 1 and your votes will not be counted in computing the required majority if a poll is called on this item.

In relation to Resolution 2, if the Chairman of the General Meeting is appointed as your proxy or becomes your proxy by default, you expressly authorise the Chairman to exercise your proxy on Resolution 2, (except where you have indicated a different voting intention above) even though Resolution 2 is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

Other than in the circumstance contemplated above, Directors, other KMP of the Company and their Closely Related Parties (see Notice of Meeting) are not permitted to cast any votes in respect of Resolution 2 (issue of PWS Options) that arise from any undirected proxy that they hold. If the Directors or another KMP (other than the Chairman of the Meeting) is your proxy, and you fail to provide a voting direction in respect of Resolution 2, your vote will not be cast.

Signature(s)

You must sign this form in the spaces provided as follows:

- **Individual Holding:** The Shareholder must sign in the box.
- **Joint Holding:** If Shares are held in joint names, all Shareholders must sign in the boxes.
- **Attorney:** If you are signing as an Attorney, the Power of Attorney must have already been lodged with the Company or, alternatively, a certified copy of it must accompany this Proxy Form.
- **Companies:** Only duly authorised officer(s) can sign on behalf of a company. Please sign in the boxes provided which state the office held by the signatory, i.e. Director and Director, or Company Secretary and Director, or Sole Director and Sole Company Secretary.

Lodgment of Proxy

The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Company at least 24 hours before the time for holding the General Meeting that is, they must be received by 9.00 am on Thursday, 14 February, 2013. Proxy Forms and accompanying documents may be sent to the Company by:

- posting or delivering them to the address on this form; or
- sending them by fax to the Company's registered office on (02) 9460 8973.