



PHOSLOCK[®]

Phoslock Water Solutions Limited

Annual General Meeting 2007



Phoslock Water Solutions Limited
ACN 099 555 290

Dear Shareholder,

I am pleased to invite you to the 2007 Annual General Meeting of Phoslock Water Solutions Limited (PWS) to be held on Thursday, 29 November 2007. The Meeting will be held at 10am at Vibe Hotel, 100 Bayswater Road, Rushcutters Bay, NSW 2011

I enclose your Notice of Meeting, Explanatory Statement, Proxy Form and the Company's 2007 Annual Report (where you have elected to receive a hard copy). The Notice of Meeting (including the Explanatory Notes) sets out the items of business for the Meeting. Please take time to carefully read the whole document. To help you understand what the document contains, here is a summary of the items of business for the Meeting, including the resolutions on which shareholders are asked to vote.

1. Discussion of the 2007 Financial Statements and Reports
2. Adoption of the Remuneration Report
3. Election of Directors

Two directors will stand for election at the 2007 AGM.

Non Executive Director Russell Brown, retires by rotation and is eligible for re-election. Your PWS Board recommends the re-election of Mr Brown.

The Hon. Pam Allan was appointed as a director during the year and the appointment requires ratification. Your PWS Board recommends the election of Ms Allan.

Refer to the 2007 Annual Report for details of the Directors.

4. Issue of Options to Directors

The Company proposes to issue Options to Directors, which form part of their short term and long term incentive programme.

5. Other Business

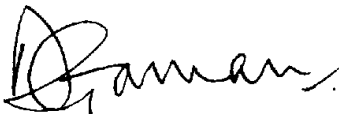
Any other business that may be legally transacted may be dealt with.

Voting on items of business at the Meeting

If you would like to vote on items of business outlined in the Notice of Meeting, you may attend the Meeting or appoint a proxy to vote for you at the Meeting. If appointing a proxy, the enclosed Proxy Form should be completed and returned (see proxy form for details) as soon as possible and in any event by 10am (EST) on 28th November 2007.

If you have any queries in relation to the Annual General Meeting, please contact Colin Upcroft, PWS Company Secretary on 07 3890 7344.

Yours sincerely,



Dr David Garman
Chairman
Sydney, Australia
19 October, 2007

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Phoslock Water Solutions Limited ACN 099 555 290 ('PWS' or 'the Company') will be held on 29th November, 2007 at the Vibe Hotel, 100 Bayswater Road, Rushcutters Bay, NSW 2011 at 10.00 am (EST).

Business

1. Financial Statements and Reports

To receive and consider:

- the Financial Statements;
- the Directors' Report; and
- the Auditor's Report

of the Company for the year ended 30 June 2007.

2. Adoption of the Remuneration Report

To adopt the Remuneration Report for the year ended 30 June 2007.

3. Election of Directors

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

Resolution 3(a):

That Russell Brown, a Director retiring in accordance with clause 22 of the Constitution of the Company, is re-elected as a Director of the Company.

Resolution 3(b):

That The Hon. Pam Allan, a Director appointed during the year, is confirmed as a Director in accordance with clause 21 of the Constitution of the Company.

4. Grant of Options to Directors

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

Resolution 4(a)

That the Company approves the grant to Dr David Garman, the Company's Chairman, or his nominee, of Options to subscribe for 1,000,000 fully paid Ordinary Shares in the Company, with vesting of the Options spread over a number of years, at escalating exercise prices and subject to the achievement of Company sale targets, as part of a short term and long term incentive programme, subject to the terms and conditions of the Options which are summarised in the Explanatory Statement which accompanies this Notice of Annual General Meeting.

Resolution 4(b)

That the Company approves the grant to Robert Schuitema, the Company's Managing Director, or his nominee, of Options to subscribe for 1,000,000 fully paid Ordinary Shares in the Company, with vesting of the Options spread over a number of years, at escalating exercise prices and subject to the achievement of Company sale targets, as part of a short term and long term incentive programme, subject to the terms and conditions of the Options which are summarised in the Explanatory Statement which accompanies this Notice of Annual General Meeting.

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Resolution 4(c)

That the Company approves the grant to Russell Brown, a Non Executive Director of the Company, or his nominee, of Options to subscribe for 500,000 fully paid Ordinary Shares in the Company, with vesting of the Options spread over a number of years, at escalating exercise prices and subject to the achievement of Company sale targets, as part of a short term and long term incentive programme, subject to the terms and conditions of the Options which are summarised in the Explanatory Statement which accompanies this Notice of Annual General Meeting.

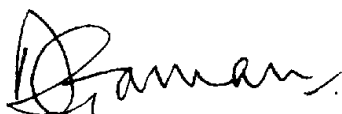
Resolution 4(d)

That the Company approves the grant to The Hon. Pam Allan, a Non Executive Director of the Company, or her nominee, of Options to subscribe for 500,000 fully paid Ordinary Shares in the Company, with vesting of the Options spread over a number of years, at escalating exercise prices, as part of a short term and long term incentive programme, subject to the terms and conditions of the Options which are summarised in the Explanatory Statement which accompanies this Notice of Annual General Meeting.

5. Other Business

To transact any other business that may legally be brought before the Meeting.

By Order of the Board



Dr David Garman
Chairman
Sydney, Australia
19 October, 2007

Voting and Proxies

1. Determination of Membership and Voting Entitlement

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cwth), the shares of the Company that are quoted on the Australian Stock Exchange Limited as at 5.00pm Sydney time on 28 November 2007, will be taken for the purpose of the 2007 Annual General Meeting to be held by the persons who held them at that time.

Accordingly, those persons will be recognised as members of the Company and the holder of Shares and will be entitled to attend and vote at the Annual General Meeting.

2. Votes of Members

On a show of hands, each member present in person or by proxy or in the case of a body corporate by a representative at the Annual General Meeting shall have one vote.

On a poll, every member present in person or by attorney or by proxy or in the case of a body corporate by a representative shall have one vote for each Share held by him.

3. Proxies

Please note that:

- a member who is entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on behalf of the member; and
- where the member is entitled to cast two (2) or more votes, the member may appoint two (2) proxies and may specify the proportion or the number of votes each proxy is appointed to exercise.

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

A proxy need not be a member of the Company.

Any instrument of proxy deposited or received at the Registered Office of the Company in which the name of the appointee is not filled in shall be deemed to be given in favour of the Chairman of the Annual General 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 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.

If a shareholder appoints the Chairperson of the Meeting as the shareholder's proxy and does not specify how the Chairperson is to vote on an item of business, the Chairperson will vote, as proxy for that shareholder, in favour of that item on a poll.

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 deposited not less than twenty four (24) hours prior to the General Meeting, that is, by 10.00 am Sydney time on 28 November 2007 by mail to PO Box 105, Frenchs Forest, Sydney, NSW 1640 or by delivery at the Company's Registered office, being 3/81 Frenchs Forest Road East, Frenchs Forest, Sydney, NSW, 2086 or be received by facsimile on (02) 9453 2693.

A form of proxy accompanies this Notice of Annual General Meeting.

Explanatory Statement

1. Financial Statements and Reports

The Corporations Act 2001 (Cwlth) requires the Financial Report (which includes the Financial Statements and Directors Declaration), the Directors' Report and Auditor's Report in respect of the financial year of PWS ended on 30 June 2007 to be laid before the 2007 Annual General Meeting. There is no requirement either in the Corporations Act 2001 (Cwlth) or the Company's constitution for shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports and on the business, operations and management of PWS.

2. Adoption of the Remuneration Report

During this item of business there will be opportunity for shareholders at the meeting to comment and ask questions about the PWS Remuneration Report. The Remuneration Report is available on page 20 of the 2007 Annual Report.

The vote on the proposed resolution in item 2 is advisory only and will not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policy of the Company.

3. Election of Directors

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

Resolution 3(a)

Clause 22 of the Company's Constitution requires that at each Annual General Meeting one-third of the Directors must retire from office. Mr Russell Brown retires by rotation and is eligible for re-election at the Annual General Meeting on 29 November 2007. In accordance with Clause 22 of the Company's Constitution, Mr Russell Brown has submitted himself for re-election at the Annual General Meeting as a Director.

Resolution 3(b)

Clause 21 of the Company's Constitution requires that any Director appointed during the year be confirmed at the next Annual General Meeting. The Hon. Pam Allan was appointed during the year and has submitted herself for confirmation at the Annual General Meeting.

4. Grant of Options to Directors

Resolutions 4(a) 4(b) and 4(c)

The terms of the Options to be issued to Messrs Garman (Chairman), Schuitema (Managing Director) and Brown (Non Executive Director) are identical. ASX Listing Rule 10.13 requires the following information about the grant of Options to subscribe to Ordinary Shares in the Company to be provided. The Options are to be issued, for Nil consideration, as part of the Company's short term and long term incentive programme to retain and incentivise Messrs Garman, Schuitema and Brown. As approval for this issue is sought under listing rule 10.11 approval is not required under Listing rule 7.1.

Tranche 1

Number : 1,250,000 (Garman 500,000, Schuitema 500,000; Brown 250,000) subject to vesting conditions
Exercise Price: 40c
Issue Date: 30 November, 2007
Vesting Date: 1 February, 2009
Expiry Date: 1 December, 2009

Tranche 2

Number: 1,250,000 (Garman 500,000, Schuitema 500,000; Brown 250,000) subject to vesting conditions
Exercise Price: 50c
Issue Date: 30 November, 2007
Vesting Date: 1 February, 2010
Expiry Date: 1 December, 2010

Vesting Conditions

Tranche 1

Issue of the Options is subject to achievement of a Company sales target for the period 1 September 2007 to 31 December 2008 of AUD \$7M.

Tranche 2

Issue of the Options is subject to achievement of a Company sales target for the period 1 January 2009 to 31 December 2009 of AUD \$13M.

The PWS Board have the discretion to vary this condition dependant on final sales achieved as follows:

<u>% of SALES TARGET ACHIEVED</u>	<u>DISCRETIONARY % of OPTIONS AWARDED</u>
> 80%	100%
60% - 80%	50% - 75%
< 60%	25%
120% - 149%	125%
150% - 200%	150%
201% - 250%	175%
251% - 300%	200%

If sales exceed target by greater than 300% Directors have the discretion to issue a further 10% of options for each 25% increment in sales exceeding 300%.

Sales are to be transacted on an arms length commercial basis

If PWS acquires a business the Directors will have the discretion to alter sales targets to ensure that the integrity of the sales incentive scheme is maintained

Unvested Options will vest, if:

- (i) a third party acquires or announces its intention to acquire not less than 50% of the shares of PWS;
- (ii) the option holder dies (except suicide) or incurs illness or injury where they are unable to discharge their duties.

Resolutions 4(d)

ASX Listing Rule 10.13 requires the following information about the grant of Options to subscribe to Ordinary Shares in the Company to be provided. The Options are to be issued, for Nil consideration, as a condition of Ms Allan's appointment as a Director of the Company and as such are not subject to the Sales Target vesting condition. As approval for this issue is sought under listing rule 10.11 approval is not required under Listing rule 7.1.

Tranche 1

Number:	250,000
Exercise Price:	40c
Issue Date:	30 November, 2007
Vesting Date:	1 February, 2009
Expiry Date:	1 December, 2009

Tranche 2

Number:	250,000
Exercise Price:	50c
Issue Date:	30 November, 2007
Vesting Date:	1 February, 2010
Expiry Date:	1 December, 2010

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Voting Exclusion Statement

The Company will disregard any votes cast on Resolutions 4(a) by Dr David Garman and any of his associates. The Company will disregard any votes cast on Resolution 4(b) by Robert Schuitema and any of his associates. The Company will disregard any votes cast on Resolution 4(c) by Russell Brown and any of his associates. The Company will disregard any votes cast on Resolution 4(d) by Pam Allan and any of her associates.

However PWS is not required to disregard a vote if:

- It is cast by any of those persons as proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- It is cast by the Chairman of 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.

Use of Funds

If the Options are exercised, the Company will use the funds received for working capital purposes.

The Directors believe that the granting of the Options, at exercise prices significantly in excess of the current share price along with challenging sales targets, provides a comprehensive incentive package geared to the long term success of the Company.

Terms of Vesting

Each Option will only be exercisable if the Option Holder has not resigned from his position with the Company, or been terminated, with effect before the respective Vesting Date. This condition is imposed to ensure Directors continue to contribute to the Company past the current period. Any shares issued on the exercise of the Options issued pursuant to the resolutions will be officially quoted and will rank equally with all the other shares on issue in the Company.

5. Other Business

Any other business which may be legally transacted may be dealt with.

Shareholder Proxy Form

Phoslock Water Solutions Limited, 3/81 Frenchs Forest Road, Frenchs Forest, Sydney, NSW, 2086.

I/We _____

of _____

appoint _____

of _____

or in his/her absence _____

of _____

or, if no person is named above or if this Proxy Form contains conflicting directions, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29 November 2007 and at any adjournment of that meeting. The Chairman of the meeting intends voting in favour of the item of business in relation to undirected proxies.

Note: 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
Item 2: Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3: Election of Directors			
3 (a) Russell Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 (b) The Hon. Pam Allan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4: Issue of Options to Directors			
4 (a) Dr David Garman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 (b) Robert Schuitema	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 (c) Russell Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 (d) The Hon. Pam Allan	<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.

If you do not wish to direct your proxy how to vote, please place a mark in this box.

Note: In relation to Resolution 4(a) by marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him 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 Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution

Individual or Shareholder 1

**Individual/Sole Director and
Sole Company Secretary**

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

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 meeting. If you leave the appointment section of this Proxy Form blank or your named proxy is unable to attend, the Chairman of the 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 two proxies to attend and vote at the Annual General Meeting on your behalf. If you appoint two 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 may direct your proxy how to vote on the item of business by placing an "X" in one of the three boxes opposite the item. Your proxy may decide whether to vote on the item, except where proxies are required by law or the constitution of the Company to vote or abstain in their capacity as proxies. If your proxy votes on an item, all of your shares will be voted in accordance with your direction unless you indicate a proportion of voting rights on the item by inserting the number of shares or percentage you wish to vote in the appropriate box. If you do not mark any of the boxes on a given item and your proxy is entitled to vote, your proxy may decide how to vote on that item. If you mark more than one box, your vote may be invalid.

If not directing your Proxy

If the Chairman of the meeting is your proxy and you do not direct him how to vote on the item of business please mark the box to confirm that the Chairman should vote on your behalf. If you do not mark the box, the Chairman will not be able to vote on your behalf. The Chairman intends to vote undirected proxies in favour of the item of business.

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, ie Director and Director, or Company Secretary and Director, or the 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 Annual General Meeting. 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) 9453 2693

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