

Notice of Annual General Meeting and Explanatory Memorandum

Phoslock Water Solutions Limited ACN 099 555 290

Date: Thursday, 25th November, 2010

Time: 10:00 am

Venue: Macquarie Room

Sheraton on the Park Hotel

161 Elizabeth 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 the 2010 Annual General Meeting of Phoslock Water Solutions Limited (**Company**) to be held on Thursday, 25 November, 2010. The Annual General Meeting will be held at 10.00 am at the Macquarie Room, Sheraton on the Park Hotel, 161 Elizabeth Street, Sydney, NSW.

I enclose your Notice of Meeting, Explanatory Statement, Proxy Form and the Company's 2010 Annual Report (for those Shareholders who have elected to receive a printed copy).

The Notice of Meeting (including the Explanatory Memorandum) sets out the items of business for the Annual 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 for the Annual General Meeting.

1. Receipt and consideration of the 2010 Financial Statements and Reports

2. Adoption of the Remuneration Report

3. Election and Re-election of Directors

- Two Directors will stand for election (in the case of Mr Laurence Freedman AM) and re-election (in the case of Dr David Garman) at the Annual General Meeting.
- Non-Executive Director, Mr Laurence Freedman, AM was appointed as a Director during the year and, being eligible, offers himself for election. Your Directors (other than Mr Laurence Freedman AM) unanimously recommend the election of Mr Laurence Freedman AM as a Director.
- Refer to the page 8 of the Notice of Meeting for details regarding Mr Laurence Freedman's experience and qualifications.
- Non-Executive Director, Dr David Garman retires by rotation and, being eligible, offers himself for re-election. Your Directors (other than Dr David Garman) unanimously recommend re-election of Dr David Garman as a Director.
- Refer to the Company's 2010 Annual Report for details regarding Dr David Garman's experience and qualifications.

4. Issue of 1,500,000 PWS Shares to Mr Robert Schuitema (or nominee)

- In September, 2010 the Company undertook 2 placements of PWS Shares at an issue price of 5 cents per PWS Share to sophisticated and professional investors to raise additional capital required by the Company
- Mr Robert Schuitema was invited to participate in the placement which he agreed to do to demonstrate his support of the Company.
- The Company proposes to issue 1,500,000 PWS Shares to Mr Robert Schuitema (or nominee) for an aggregate consideration of A\$75,000 on the same terms as the September, 2010 placements.

5. Issue of 1,000,000 PWS Shares to Dr David Garman (or nominee)

- In September, 2010 the Company undertook 2 placements of PWS Shares at an issue price of 5 cents per PWS Share to sophisticated and professional investors to raise additional capital required by the Company
- Dr David Garman was invited to participate in the placement which he agreed to do to demonstrate his support of the Company.
- The Company proposes to issue 1,000,000 PWS Shares to Dr David Garman (or nominee) for an aggregate consideration of A\$50,000 on the same terms as the September, 2010 placements.

6. Issue of 400,000 PWS Shares to Mr Nigel Traill (or nominee)

- In September, 2010 the Company undertook 2 placements of PWS Shares at an issue price of 5 cents per PWS Share to sophisticated and professional investors to raise additional capital required by the Company
- Mr Nigel Traill, a senior executive of the Company, was invited to participate in the placement which agreed to do to demonstrate his support of the Company.
- The Company proposes to issue 400,000 PWS Shares to Mr Nigel Traill (or nominee) for an aggregate consideration of A\$20,000 on the same terms as the September, 2010 placements.

7. Other Business

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

If you would like to vote on the items of business outlined in the Notice of Meeting, you may attend the Annual General Meeting in person or appoint a proxy to vote on your behalf at the Annual 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 10.00 am on Wednesday, 24th November 2010.

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

Yours sincerely,



Robert Schuitema
Company Secretary
Sydney, Australia
26th October, 2010

Notice of Annual General Meeting

NOTICE IS GIVEN that the 2010 Annual General Meeting of Shareholders of Phoslock Water Solutions Limited ACN 099 555 290 (**Company**) will be held on Thursday, 25th November 2010 at the Macquarie Room, Sheraton on the Park Hotel, 161 Elizabeth Street, Sydney, NSW at 10.00 am.

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

Business

Item 1. Financial Statements and Reports

To receive and consider the following reports of the Company for the year ended 30 June 2010:

- the Annual Financial Report;
- the Directors' Report; and
- the Auditor's Report.

Item 2. Adoption of the Remuneration Report

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

"That, for the purposes of section 250R(2) of the Corporations Act 2001, the Remuneration Report for the year ended 30 June 2010 be adopted."

Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company.

Item 3. Election and Re-election of Directors

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

Item 3(a). Election of Mr Laurence Freedman, AM.

"That Mr Laurence Freedman AM who, having been appointed as a Director during the year since the last Annual General Meeting, retires from office in accordance with clause 21 of the constitution of the Company and, being eligible for election, is elected and confirmed as a Director of the Company."

Item 3(b). Re-election of Dr David Garman.

"That Dr David Garman who retires by rotation in accordance with clause 22 of the constitution of the Company and, being eligible for re-election, is re-elected as a Director of the Company."

Item 4. Issue of 1,500,000 PWS Shares to Mr Robert Schuitema (or nominee)

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

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the issue of 1,500,000 PWS Shares at an issue price of 5 cents per PWS Share to Mr Robert Schuitema (or nominee), on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting, be approved."

Item 5. Issue of 1,000,000 PWS Shares to Dr David Garman (or nominee)

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

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the issue of 1,000,000 PWS Shares at an issue price of 5 cents per PWS Share to Dr David Garman (or nominee), on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting, be approved."

Item 6. Issue of 400,000 PWS Shares to Mr Nigel Traill (or nominee)

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of 400,000 PWS Shares at an issue price of 5 cents per PWS Share to Mr Nigel Traill (or nominee), on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting, be approved.”

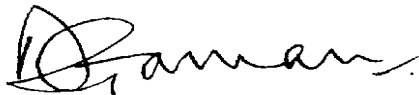
Item 7. Other Business

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

Questions and Comments by Shareholders

A reasonable opportunity will be given to Shareholders as a whole at the Annual General Meeting to ask questions about or make comments on the Remuneration Report and the management of the Company and to ask the auditors or their representative questions relevant to the conduct of the audit, the preparation and content of their report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and their independence in relation to the conduct of the audit.

By Order of the Board



Dr David Garman
Chairman
Sydney, Australia
26th October, 2010

Voting and Proxies

1. Determination of Shareholding and Voting Entitlement

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001*, the PWS Shares of the Company will be taken, for the purpose of determining those persons entitled to attend and vote at the Annual General Meeting, to be held by the persons who are registered as holding them as at 7.00 pm on Tuesday, 23rd November, 2010.

Accordingly, transactions registered after that time will be disregarded when determining entitlements to attend and vote at the Annual 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 Annual 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 PWS Share held by him or her.

3. Proxies

Please note that:

- a Shareholder who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on behalf of the Shareholder; and
- where the Shareholder is entitled to cast 2 or more votes, the Shareholder may appoint 2 proxies and may specify the proportion or the 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.

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 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.

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

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 Annual General Meeting, that is, by 10.00 am on Wednesday, 24th November 2010:

- by mail to PO Box 521, Frenchs Forest, Sydney, NSW, 1590 or the registered office of the Company; or
- by delivery at 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.

A form of proxy accompanies this Notice of Meeting.

4. Bodies Corporate

A body corporate may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at meetings of Shareholders of the Company 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.

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 Annual General Meeting to be held on Thursday, 25th November 2010 at the Macquarie Room, Sheraton on the Park Hotel, 161 Elizabeth Street, Sydney, NSW at 10.00 am .

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 Annual 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 Annual General Meeting are set out below.

Item 1. Financial Statements and Reports

The *Corporations Act 2001* requires the Annual Financial Report of the Company (which includes the Financial Statements and Directors' Declaration), the Directors' Report and Auditor's Report in respect of the financial year ended on 30 June 2010 to be laid before the Annual General Meeting. There is no requirement either in the *Corporations Act 2001* or the Company's constitution for Shareholders to approve the Annual 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 the Company.

No resolution is required to be moved in respect of this item of business.

Item 2. Adoption of the Remuneration Report

During this item of business there will be opportunity for Shareholders at the Annual General Meeting to comment on and ask questions about the Remuneration Report. The Remuneration Report is available on pages 14 to 19 of the Company's 2010 Annual Report.

Section 300A of the *Corporations Act 2001* requires the Directors' Report to include a Remuneration Report containing information about the Board's policy for determining the nature and amount of the remuneration of directors and senior management. The report must also explain the relationship between the remuneration policy and the Company's performance.

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 policies of the Company.

Item 3. Election and Re-election of Directors

Item 3(a). Election of Mr Laurence Freedman AM

Mr Laurence Freedman AM was appointed a Director of the Company on Tuesday, 26th October, 2010.

Having been appointed as a Director during the year since the last Annual General Meeting, Mr Laurence Freedman AM retires in accordance with clause 21 of the Company's constitution and, being eligible, offers himself for election and confirmation as a non-executive Director. Details of Mr Laurence Freedman's experience and qualifications are detailed below.

About Mr Laurence Freedman AM

Mr. Freedman has a long history of involvement and expertise in public companies with international trading and investment activities. He began his career with the Gold Fields Group: initially an analyst, he rose to Director of Group companies. He later joined BT Australia and was appointed Manager, Investments.

In 1980 he founded Equitilink Limited, an investment management group which he grew to a global company with operations around the world. He held Chairman and/or Director positions in a number of public and private companies in Australia, the United States, the UK, Canada, New Zealand and Taiwan.

He was a member of the syndicate which bought the Ten Network, of which he became a director, taking it out of receivership and helping make it the most profitable media network in Australia for some years.

In 2000 he sold the Equitilink Group and in 2004 sold out of the Ten Group.

He currently manages his private investment portfolio in shares, property and fixed income. He is a mentor to a number of resource, biotech and technology companies.

He is Chairman of the Freedman Foundation, a philanthropic foundation funded by the Freedman family, which assists and supports young Australians in many areas of endeavor. The Foundation also finances a broad range of medical and scientific programs and organizations.

In 2001 he was appointed a Member of the Order of Australia for service to the community, to medical research, the arts, and to business and investment in Australia.

He is currently Chairman of two publicly listed Australian companies: Carrick Gold Limited and Condor Nickel Limited.

Recommendation

The Directors (other Mr Laurence Freedman AM) unanimously recommend that Shareholders vote in favour of this resolution.

Item 3(b). Re-election of Dr David Garman

Clause 22 of the Company's constitution requires that at each Annual General Meeting one-third of the Directors must retire from office. Dr David Garman, a non-executive Director, retires by rotation and is eligible for re-election at the Annual General Meeting. In accordance with clause 22 of the Company's constitution, Dr David Garman has submitted himself for re-election at the Annual General Meeting as a non-executive Director. Details of Dr Graham's experience and qualifications are set out on page 13 of the Company's 2010 Annual Report.

Recommendation

The Directors (other than Dr David Garman) unanimously recommend that Shareholders vote in favour of this resolution.

Item 4. Issue of 1,500,000 to Mr Robert Schuitema (or nominee)

Item 4 seeks Shareholder approval for the issue of 1,500,000 PWS Shares to Mr Robert Schuitema (or nominee), on the same terms as those investors who participated in 2 equity raisings by the Company in September, 2010.

In September, 2010 the Company undertook 2 equity raisings of PWS Shares to sophisticated and professional investors to raise additional capital required by the Company. Mr Robert Schuitema was invited to participate in the equity raisings which he agreed to do to demonstrate his support of the Company. The Company proposes to issue 1,500,000 PWS Shares to Mr Robert Schuitema (or nominee) at an issue price of 5 cents per PWS Share for an aggregate consideration of \$75,000.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires that the Company must obtain Shareholder approval before the Company can issue equity securities to a Director or an associate of a Director. Accordingly, approval for the grant of 1,500,000 PWS Shares to Mr Robert Schuitema (or nominee), is required under ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to the proposed resolution in item 4:

- i) The PWS Shares are to be issued to Mr Robert Schuitema (or nominee) for an aggregate consideration of \$75,000. They will rank equally with the PWS Shares on issue.
- ii) The maximum number of PWS Shares that will be issued to Mr Robert Schuitema (or nominee) under the proposed resolution in item 4 is 1,500,000 PWS Shares.
- iii) The 1,500,000 PWS Shares will be issued not more than 1 month after the date of the Annual General Meeting.
- iv) Mr Robert Schuitema is a director of the Company. Accordingly, an issue of PWS Shares to Mr Robert Schuitema (or nominee) requires Shareholder approval to be obtained.
- v) The PWS Shares will be issued at 5 cents per PWS Share.
- vi) The issue of the PWS Shares will raise \$75,000.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company may not issue equity securities representing more than 15% of its issued capital over any 12 month period, without the approval of its shareholders.

ASX Listing Rule 7.2, exception 14, provides an exception to this rule where shareholders have given their approval under ASX Listing Rule 10.11. If approval of the Shareholders is given under ASX Listing Rule 10.11, then approval is not separately required under ASX Listing Rule 7.1 and Shareholders should note that the issue of PWS Shares to Mr Robert Schuitema (or his nominee) will not be included in the 15% limit for the purposes of ASX Listing Rule 7.1.

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on the proposed resolution in item 4 by:

- Mr Robert Schuitema; and
- any associate of Mr Robert Schuitema.

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 direction 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.

Recommendation

The Directors (other than Mr Robert Schuitema) unanimously recommend that Shareholders vote in favour of this resolution.

Item 5. Issue of 1,000,000 to Dr David Garman (or nominee)

Item 5 seeks Shareholder approval for the issue of 1,000,000 PWS Shares to Dr David Garman (or nominee), on the same terms as those investors who participated in 2 equity raisings by the Company in September, 2010.

In September, 2010 the Company undertook 2 equity raisings of PWS Shares to sophisticated and professional investors to raise additional capital required by the Company. Dr David Garman was invited to participate in the equity raisings which he agreed to do to demonstrate his support of the Company. The Company proposes to issue 1,000,000 PWS Shares to Dr David Garman (or nominee) at an issue price of 5 cents per PWS Share for an aggregate for consideration of \$50,000.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires that the Company must obtain Shareholder approval before the Company can issue equity securities to a Director or an associate of a Director. Accordingly, approval for the grant of 1,000,000 PWS Shares to Dr David Garman (or nominee), is required under ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to the proposed resolution in item 5:

- i) The PWS Shares are to be issued to Dr David Garman (or nominee) for an aggregate consideration of \$50,000. They will rank equally with the PWS Shares on issue.
- ii) The maximum number of PWS Shares that will be issued to Dr David Garman (or nominee) under the proposed resolution in item 5 is 1,000,000 PWS Shares.
- iii) The 1,000,000 PWS Shares will be issued not more than 1 month after the date of the Annual General Meeting.
- iv) Dr David Garman is a director of the Company. Accordingly, an issue of PWS Shares to Dr David Garman (or nominee) requires Shareholder approval to be obtained.
- v) The PWS Shares will be issued at 5 cents per PWS Share.
- vi) The issue of the PWS Shares will raise \$50,000.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company may not issue equity securities representing more than 15% of its issued capital over any 12 month period, without the approval of its shareholders.

ASX Listing Rule 7.2, exception 14, provides an exception to this rule where shareholders have given their approval under ASX Listing Rule 10.11. If approval of the Shareholders is given under ASX Listing Rule 10.11, then approval is not separately required under ASX Listing Rule 7.1 and Shareholders should note that the issue of PWS Shares to Dr David Garman (or his nominee) will not be included in the 15% limit for the purposes of ASX Listing Rule 7.1.

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on the proposed resolution in item 5 by:

- Dr David Garman; and
- any associate of Dr David Garman.

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 direction 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.

Recommendation

The Directors (other than) Dr David Garman unanimously recommend that Shareholders vote in favour of this resolution.

Item 6. Issue of 400,000 to Mr Nigel Traill (or nominee)

Item 6 seeks Shareholder approval for the issue of 400,000 PWS Shares to Mr Nigel Traill (or nominee), a senior executive of Phoslock, on the same terms as those investors who participated in 2 equity raisings by the Company in September, 2010.

In September, 2010 the Company undertook 2 equity raisings of PWS Shares to sophisticated and professional investors to raise additional capital required by the Company. Mr Nigel Traill, an executive of the Company, was invited to participate in the equity raisings which he agreed to do to demonstrate his support of the Company. The Company proposes to issue 400,000 PWS Shares to Mr Nigel Traill (or nominee) at an issue price of 5 cents per PWS Share for an aggregate consideration of \$20,000.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company may not issue equity securities representing more than 15% of its issued capital over any 12 month period, without the approval of its shareholders in general meeting.

So as to maintain the maximum flexibility for the Company to issue securities representing up to 15% of its capital every 12 months without shareholder approval, the Company has determined to seek the approval of its Shareholders to the proposed issue of 400,000 PWS Shares to Mr Nigel Traill (or his nominee) if the proposed issue is approved by Shareholders, the issue of PWS Shares to Mr Nigel Traill (or nominee) will not be included in the 15% limit for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX listing Rule 7.1. For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to the proposed resolution in item 6:

- i) The PWS Shares are to be issued to Mr Nigel Traill (or nominee) for an aggregate consideration of \$20,000. They will rank equally with the PWS Shares on issue.
- ii) The maximum number of PWS Shares that will be issued to Mr Nigel Traill (or nominee) under the proposed resolution in item 6 is 400,000 PWS Shares.
- iii) The 400,000 PWS Shares will be issued not more than 1 month after the date of the Annual General Meeting.
- iv) The PWS Shares will be issued at 5 cents per PWS Share.
- v) The issue of the PWS Shares will raise \$20,000 and the funds raised will be used for working capital purposes of the Company.

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on the proposed resolution in item 6 by:

- Mr Nigel Traill;
- any person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the proposed resolution is passed; and
- any associate of those persons.

However, the Company need not disregard a vote if:

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

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

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) **Annual General Meeting** means the 2010 annual general meeting of Shareholders convened by the Notice of Meeting.
- (2) **ASX** means ASX Limited or, as the context requires, the market operated by it.
- (3) **ASX Listing Rule** means a listing rule of ASX as amended or waived.
- (4) **Board** means the board of Directors.
- (5) **Company** means Phoslock Water Solutions Limited ACN 099 555 290.
- (6) **Directors** means the directors of the Company.
- (7) **Explanatory Memorandum** means this Explanatory Memorandum.
- (8) **Notice of Meeting** means the notice of Annual General Meeting accompanying this Explanatory Memorandum.
- (9) **Proxy Form** means the proxy form accompanying this Explanatory Memorandum.
- (10) **PWS Shares** means fully paid ordinary shares in the capital of the Company quoted on the ASX under the code "PHK".
- (11) **Shareholder** means a shareholder in the Company.

All references to time in this 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 Annual General Meeting of the Company to be held at 10.00 am on Thursday, 25th November 2010 and at any adjournment of that meeting.

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(a): Election of Mr Laurence Freedman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3(b): Re-election of Dr David Garman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4: Issue of 1,500,000 PWS Shares to Mr Robert Schuitema	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5: Issue of 1,000,000 PWS Shares to Dr David Garman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6: Issue of 500,000 PWS Shares to Mr Nigel Traill	<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 the Chairman of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of the resolution in item 5 above, please place a mark in the box.

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 in item 5 above and that votes cast by the Chairman of the 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 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 resolutions.

Individual or Shareholder 1

Individual/Sole Director or 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 2 proxies to attend and vote at the Annual 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 may direct your proxy how to vote on the item of business by placing an "X" in one of the 3 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 you do not direct your proxy how to vote on an item of business, he or she may vote or abstain from voting on the item of business as he or she thinks fit. If the Chairman of the meeting is your proxy, **the Chairman intends to vote undirected proxies in favour of each 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, 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 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) 9460 8973