

# PHOSLOCK<sup>®</sup>

Phoslock Water Solutions Ltd.

## SHARE PURCHASE PLAN

January 2013



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**15 January, 2013**

Dear Shareholder,

### **2013 Share Purchase Plan Terms and Conditions**

On behalf of the Board, I am pleased to provide eligible shareholders with the opportunity to participate in an offer of New Shares in the Company (**Offer**) under the 2013 Phoslock Share Purchase Plan (**SPP** or **Plan**).

The value of New Shares an Eligible Shareholder can subscribe for is restricted to a total of \$15,000. Each New Share will be a fully paid ordinary share. The issue price for each New Share is \$0.046 (**4.6 cents**) (**Offer Price**).

The terms and conditions of the SPP and your Application Form are provided in the package of information sent to you. You should read this information in its entirety before deciding whether to participate in the SPP.

The SPP is not underwritten. Proceeds from the SPP will be used to provide additional working capital for Phoslock, to ensure that the company remains well capitalised to pursue its business objectives.

### **Eligibility**

Participation in the SPP is optional and open to Eligible Shareholders, being holders of fully paid shares in Phoslock at 7.00pm (Sydney time) 9 January, 2013 and whose address on the share register is in Australia or New Zealand. Please refer to sections 3 and 4 of the attached SPP Terms & Conditions for further information, if you are not a shareholder whose address is in Australia or New Zealand.

Your right to participate in the SPP is not transferrable.

### **How to apply**

The SPP opens on 15 January, 2013 and closes on 7 February, 2013.

To apply for New Shares you may either:

- complete and return the enclosed Application Form, together with payment via cheque, bank draft or money order; or
- make a payment directly to Phoslock SPP Bank Account.

You may apply for a parcel of New Shares up to a maximum value of \$15,000 (subject to discretionary scale back). Cleared funds must be received by no later than 5.00pm (Sydney time) on 7 February, 2013.

The Board of Directors of Phoslock have resolved to cap the total number of New Shares that may be issued under the SPP to 43.5 million New Shares. This equates to \$2 million. The Board

reserves the right, in its sole discretion, to increase this cap. Any increase in the cap will be announced to the ASX. Please refer to section 10 of the attached SPP Terms & Conditions for further information.

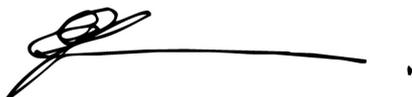
Each Director of Phoslock, along with senior executives of Phoslock, have advised that they will take up their full allocation of New Shares under the SPP.

#### **Queries**

If you have any questions in relation to how to participate in the SPP, please contact Radar Shareholder Engagement on 1 800 857 303 or 02 8256 3366, within Australia or + 61 2 8256 3366 if calling from outside of Australia. If you have any questions in relation to whether an investment in Phoslock through the SPP is appropriate for you, please contact your stockbroker, accountant or other professional advisor.

Thank you for your continued support in Phoslock.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized, cursive name followed by a long horizontal line extending to the right.

**Laurence Freedman AM**

Chairman

# Phoslock Water Solutions Limited

## 2013 Share Purchase Plan

### Terms & Conditions

#### 1 Background

- 1.1 On 10 January 2013, the Company announced that it had approved the SPP entitling Eligible Shareholders to purchase up to \$15,000 worth of New Shares at an issue price of \$0.046 (4.6 cents) per share. It has also announced that it may cap the amount of shares issued under the SPP to 43.5 million (\$2 million).
- 1.2 For current information on the Company, shareholders are referred to the 2012 Annual Report and to recent announcements to ASX. These documents can be found on the Company's website at [www.phoslock.com.au](http://www.phoslock.com.au).

#### 2 SPP Key Dates

Key dates for the SPP are as follows:

Record Date	9 January 2013
Offer opens	15 January 2013
Closing Date	7 February 2013
Allotment of Shares	14 February 2013
Trading of New Shares expected to commence on ASX	15 February 2013
Holding statements expected to be dispatched to shareholders	15 February 2013

These dates are indicative only and are subject to change. The Company reserves the right to amend this indicative timetable without notice. In particular, the Company reserves the right, subject to the Corporations Act and the Listing Rules, to close the Offer early, to extend the Closing Date or to withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the allotment of New Shares.

#### 3 Who is eligible to apply?

- 3.1 A person will be eligible to participate in the Offer (an **Eligible Shareholder**) if:
- (1) the person was a registered holder of Shares at 7:00pm on 9 January 2013 (**Record Date**); and
  - (2) the registered address of the shareholding is in Australia or New Zealand,

as follows:

- (a) If an Eligible Shareholder is the only registered holder of Shares (**Single Holder**), but it receives more than one offer under the SPP (for example, due to multiple registered holdings), it may only apply for one maximum parcel of New Shares.
- (b) If an Eligible Shareholder is recorded with one or more other persons as the joint holder of Shares (**Joint Holders**) that joint holding is considered to be a single registered holding for the purposes of the SPP, and the Joint Holders are entitled to participate in the SPP in respect of that single holding only. If the same Joint Holders receive more than one offer under the SPP due to multiple registered holdings, the Joint Holders may only apply for one maximum parcel of New Shares.
- (c) If an Eligible Shareholder is a Custodian, and holds Shares on behalf of one or more persons (each a **Participating Beneficiary**) that are not custodians, or a Downstream Custodian holds beneficial interests in Shares on behalf of one or more persons (also each a **Participating Beneficiary**) and the Custodian holds the Shares to which those beneficial interests relate on behalf of the Downstream Custodian or another Custodian, it may apply for up to a maximum of \$15,000 worth of New Shares for each Participating Beneficiary, subject to providing a notice in writing to the Company (**Custodian Certificate**) certifying the matters specified in ASIC Class Order [CO 09/425].
- (d) If an Eligible Shareholder holds Shares as a custodian, trustee or nominee for another person, but is not a Custodian, it cannot participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings apply.

3.2 Custodians can obtain a copy of a pro-forma Custodian Certificate by contacting the Company on (02) 9439 7715.

#### **4 Restrictions in United States and other Jurisdictions**

4.1 The Company has determined that it is not practical for holders of Shares with registered addresses outside Australia and New Zealand to participate in the SPP. To the extent that a person holds Shares on behalf of another person resident outside Australia or New Zealand, it is that person's responsibility to ensure that any participation complies with all applicable foreign laws.

4.2 The New Shares to be issued under this Offer have not been and will not be registered under the US Securities Act of 1993 as amended (**Securities Act**) or the securities laws of any state or other jurisdiction of the United States. In order to comply with relevant securities laws, the New Shares to be issued under this SPP may not be offered, sold or otherwise transferred to shareholders located in the United States (as defined in Regulation S under the Securities Act) or to shareholders who are, or who are acting on the account or for the benefit of, a US person (as defined in Regulation S under the Securities Act) (**US Person**). Accordingly, copies of these Terms and Conditions or any other material relating to the SPP must not be sent to any person resident in the United States or to shareholders who are, or who are acting on the account or for the benefit of, US persons.

4.3 Consistent with the warranties contained in these Terms and Conditions and the application form accompanying these Terms and Conditions (**Application Form**), Eligible Shareholders must not submit any completed Application Form or make any payment in respect of the purchase of New Shares under the SPP on behalf of any persons resident in

the United States or who are, or are acting for the account or benefit of, US Persons. Failure to comply with these restrictions may result in violations of applicable securities laws.

## **5 Participation is optional**

- 5.1 Participation in the SPP is entirely optional and is subject to these Terms and Conditions and those set out in the Application Form. The offer to acquire New Shares under the SPP is not a recommendation to purchase New Shares.
- 5.2 If Eligible Shareholders are in any doubt about this Offer, whether they should participate in the SPP or how such participation will affect them, they should consider seeking independent financial and taxation advice before making a decision as to whether or not to accept this Offer.

## **6 Non-Renounceable Offer**

- 6.1 Each Offer is non-renounceable. An Eligible Shareholder may not transfer or otherwise deal with its right to apply for Shares under the SPP to anyone else. Accordingly, New Shares applied for under the SPP may be issued only to the Eligible Shareholder to whom they are offered.

## **7 Use of funds and effect of the Offer**

- 7.1 Funds raised through this Offer will be used to provide working capital for the Company.
- 7.2 The effect of the Offer will be to increase:
  - (1) the number of Shares on issue from 213.5 million to 257.0 million (assuming the Offer is fully subscribed); and
  - (2) the cash held by the Company (assuming the Offer is fully subscribed) from approximately \$300,000 to approximately \$2,300,000.
- 7.3 There is no minimum aggregate subscription amount and the Offer is not underwritten.

## **8 Offer Price**

- 8.1 The Offer Price for each New Share under the SPP is \$0.046 (4.6 cents).
- 8.2 The Offer Price represents approximately a 20% discount to the volume-weighted average market price of Shares traded in the ordinary course on the ASX for the last 5 trading days which Shares were traded prior to the day on which the SPP was announced on 10 January 2013.
- 8.3 Eligible Shareholders should note that the market price of Shares may rise and fall between the date of this Offer and the date when New Shares are allotted under the SPP. Accordingly, the price that Eligible Shareholders pay per New Share pursuant to this Offer may be either higher or lower than the market price of Shares at the time of this Offer or at the time the New Shares are allotted to it under this SPP.
- 8.4 The Company recommends that Eligible Shareholders monitor the price of Shares, which can be found in the financial pages of major Australian metropolitan newspapers, or on the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX code: PHK).

## **9 Ranking of New Shares**

- 9.1 All New Shares issued under the SPP will rank equally with existing Shares from the date of issue and, therefore, will carry the same voting rights, dividend rights and other entitlements as existing Shares.

## **10 Applications may be scaled back**

- 10.1 The board of directors of the Company (**Board**) have resolved to cap the total number of New Shares that may be issued under the SPP to 43.5 million New Shares. The Board reserves the right, in its sole discretion, to increase this cap. Any increase in the cap will be announced to the ASX. If applications are received under the SPP in excess of the cap set by the Board, applications will be scaled back to the extent and in the manner that the Board sees fit, including by taking into account the times and dates on which Application Forms and/or Application Monies from Eligible Shareholders are received by the Company (on a “first come first served” basis).
- 10.2 If applications are scaled back, an Eligible Shareholder may not receive the full parcel of New Shares for which it has applied. If a scale back produces a fractional number when applied to an Eligible Shareholder’s parcel, the number of New Shares an Eligible Shareholder will be allotted under the SPP will be rounded up to the nearest whole number of New Shares.
- 10.3 In the event of a scale back, the difference between the value of the New Shares allotted to an Eligible Shareholder (calculated at the Offer Price for the New Shares) and the Application Monies received from that Eligible Shareholder will be refunded by the Company, without interest, following allotment.

## **11 What costs are payable?**

- 11.1 Eligible Shareholders will only have to pay the Offer Price for the New Shares under the SPP.
- 11.2 Eligible Shareholders will not be obliged to pay brokerage or other fees in respect of New Shares acquired under the SPP (although the Company will pay certain professional and other fees to third parties).

## **12 Maximum Subscription Amount (\$15,000)**

- 12.1 The offer under the SPP needs to comply with the conditions of ASIC Class Order [CO 09/425]. Under that Class Order, Eligible Shareholders may only acquire a maximum of \$15,000 worth of Shares under a share purchase plan in any 12 month period. The Company has not conducted a share purchase plan in the past 12 months.
- 12.2 Accordingly, an Eligible Shareholder may participate in the SPP up to the maximum limit of \$15,000. This limitation applies even if an Eligible Shareholder receives more than one Application Form or if an Eligible Shareholder holds Shares in more than one capacity (e.g. if it is both a sole and joint holder of Shares). Please refer to section 3 above (“Who is eligible to apply?”) for further details.

## **13 Certification**

13.1 By submitting an Application Form or otherwise paying the Application Monies to the Company, each Eligible Shareholder certifies that the aggregate of the Application Monies paid by it for:

- (1) the New Shares the subject of such Application Form or Application Monies;
- (2) any other New Shares under the SPP or any Shares under an arrangement similar to the SPP in the 12 months before the date of its application under the SPP;
- (3) any other New Shares which it has instructed a Custodian to acquire on its behalf under the SPP; and
- (4) any other Shares issued to a Custodian in the 12 months before the date of its application for New Shares under the SPP as a result of an instruction to apply for Shares on its behalf under an arrangement similar to the SPP given by it to the Custodian or a Downstream Custodian,

does not exceed \$15,000.

13.2 If an Eligible Shareholder is a Custodian, it makes additional representations that:

- (1) it is a Custodian; and
- (2) it has provided a Custodian Certificate to the Company.

13.3 The \$15,000 limit applies irrespective of the number of Shares that an Eligible Shareholder holds on the Record Date. The Company reserves the right, and in certain circumstances may be required under ASIC Class Order [CO 09/425], to reject an application for New Shares under the SPP to the extent it considers, or is reasonably satisfied, that the application (whether alone or in conjunction with other applications) does not comply with these requirements.

## **14 Calculation of the number of New Shares**

14.1 In the absence of scale back, the number of New Shares to be issued to an Eligible Shareholder under the SPP will be calculated by dividing the value of New Shares that it applied for as set out in the Application Form submitted by it to the Company by the Offer Price for the New Shares.

14.2 For example, in the absence of scale back, if an Eligible Shareholder applies for \$15,000 of New Shares at the Offer Price that Eligible Shareholder will be allotted 326,087 New Shares.

14.3 If the Company scales back applications, the number of New Shares to which an Eligible Shareholder may be entitled, as scaled back, may not be equal to a whole number of New Shares. In that event, the number of New Shares allotted to an Eligible Shareholder will be rounded up to the nearest whole number of New Shares.

## **15 How to apply for New Shares**

15.1 The SPP opens on 15 January 2013. An Eligible Shareholder may apply for New Shares by:

- (1) duly completing the accompanying Application Form and returning it to the Company by post or facsimile to the following address or facsimile number.

Address: PO Box 521, St Leonards, Sydney, NSW, 1590

or

Suite 302, Level 3, 110 Pacific Highway, St Leonards, Sydney, NSW, 2065

Facsimile (02) 9460 8973

- (2) pay the Application Monies for the number of New Shares applied for by either:
- (a) returning a cheque, bank draft or money order drawn on an Australian bank in Australian dollars for that subscription amount with the completed Application Form; or
- (b) transferring by electronic funds transfer in Australian dollars that subscription amount to the following bank account established by the Company for the purpose of the SPP:

Westpac Banking Corporation, 611 Wynnum Road Morningside  
BSB 034 058  
Account No 192 303

15.2 Application Forms and the applicable subscription amount must be received by the Company no later than 5:00 pm on the Closing Date. The Company reserves the right to return any payment and not allot any New Shares in respect of an Application Form or subscription amount received after that time.

15.3 Application Forms and payments under the SPP may not be withdrawn once they have been received by the Company. No interest will be payable on Application Monies held by the Company.

15.4 Please read the accompanying Application Form for further details of how to apply for New Shares under the SPP.

## **16 Class Order [CO 09/425] Compliance**

16.1 This offer of New Shares under the SPP is made in accordance with the requirements of ASIC Class Order [CO 09/425]. That Class Order grants relief from the requirement to prepare a prospectus for the offer of New Shares under the SPP.

## **17 Binding Terms**

17.1 By accepting the offer to purchase New Shares under the SPP, an Eligible Shareholder agrees to be bound by these Terms and Conditions and the Company's Constitution.

## **18 New Share Allotment and Quotation Dates**

- 18.1 New Shares are expected to be allotted under the SPP on 14 February 2013 and the Company will apply for those New Shares to be listed for quotation on ASX.
- 18.2 Trading in New Shares issued under the SPP is expected to commence on 15 February 2013. Eligible Shareholders should confirm their holding before trading in any New Shares that they believe have been allotted to them under the SPP.
- 18.3 The Company reserves the right to vary any of these dates without notifying Eligible Shareholders. Any variation will be notified to ASX.

## **19 Withdrawal, Suspension, Termination, Anomalies and Disputes**

- 19.1 The Company reserves the right to waive strict compliance with any provision of these Terms and Conditions, to amend or vary these Terms and Conditions and to suspend or terminate the SPP at any time. Any such amendment, variation, suspension or termination will be binding on all Eligible Shareholders even where the Company does not notify Eligible Shareholders of that event.
- 19.2 The Company may make determinations in any manner it thinks fit, including in relation to any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP, whether generally or in relation to any participant or application under the SPP. Any determinations by the Company will be conclusive and binding on all Eligible Shareholders and other persons to whom the determination relates. The Company's rights may be exercised by the Board or any delegate of the Board.
- 19.3 Any variation, suspension or termination of the SPP does not give rise to any liability on the part of, or any action against, the Company or any member of the Board.
- 19.4 If the Board determines to suspend or terminate the SPP, any Application Monies received by the Company will be refunded to Eligible Shareholders, without interest, as soon as reasonably practical after such suspension or termination.

## **20 Governing Law**

- 20.1 This Offer is governed by the law of New South Wales. By accepting this Offer, Eligible Shareholders submit to the non-exclusive jurisdiction of the courts of New South Wales and of the Commonwealth of Australia.

## 21 Definitions

Terms and abbreviations used in these Terms and Conditions have the following meaning:

<b>\$</b>	Australian dollars
<b>Application Form</b>	The application form accompanying these Terms and Conditions
<b>Application Monies</b>	Monies paid by Eligible Shareholders in respect of New Shares they apply for
<b>ASIC</b>	Australian Securities & Investments Commission
<b>ASX</b>	ASX Limited ABN 98 008 624 691, or the market operated by it (as the context requires)
<b>Business Day</b>	An Australian business day that is not a Saturday, Sunday, or any other day which is a public holiday or bank holiday in the place where an act is to be performed or a payment is to be made
<b>Closing Date</b>	7 February 2013, unless varied
<b>Company or Phoslock</b>	Phoslock Water Solutions Pty Ltd ABN 88 099 555 290
<b>Constitution</b>	The constitution of the Company as amended from time to time
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Custodian</b>	Has the meaning ascribed to it in section 14(a) of ASIC Class Order [CO 09/425]
<b>Custodian Certificate</b>	The certificate to be provided by custodians as contemplated by ASIC Class Order [CO 09/425]
<b>Downstream Custodian</b>	Has the meaning ascribed to it in section 9(a)(ii) of ASIC Class Order [CO 09/425]
<b>Eligible Shareholder</b>	A person who meets the requirements set out in section 3
<b>Listing Rules</b>	The ASX Listing Rules as amended or waived from time to time
<b>New Share</b>	A Share to be issued pursuant to the Offer
<b>Offer</b>	The offer of New Shares under these Terms and Conditions and the Application Form.
<b>Record Date</b>	7:00pm on 9 January 2013
<b>Securities Act</b>	Securities Act of 1933 (USA)
<b>Share</b>	A fully paid ordinary share in the Company

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<b>United States</b>	Has the meaning given to that term in Regulation S under the Securities Act
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<b>US Person</b>	Has the meaning given to that term in Regulation S under the Securities Act
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All references to time are to time in Sydney, Australia

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