

Notice of General Meeting and Explanatory Memorandum

Phoslock Water Solutions Limited **ACN 099 555 290**

Date: Friday, 10th January, 2014

Time: 9.00 am

Venue: The offices of Phoslock Water Solutions Limited

Suite 403

25 Lime 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, 10 January, 2014. The General Meeting will be held at the offices of Phoslock Water Solutions Limited, Suite 403, 25 Lime 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 item 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 item of business that is proposed for the General Meeting:

Extension of the Maturity Date under the Convertible Note Deed Poll

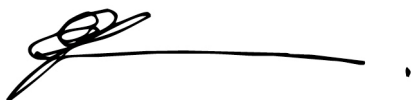
Shareholders are being asked to approve a variation to the *Convertible Note Deed Poll* entered into by the Company on 15 February 2013, pursuant to which the Company may issue convertible notes to subscribers. The Company is seeking to vary the Convertible Note Deed Poll to extend the maturity date for the convertible notes issued pursuant to the Convertible Note Deed Poll from 31 December, 2013 to 30 June, 2014.

On 15 February 2013, pursuant to the Convertible Note Deed Poll, the Company issued 1,300 Convertible Notes to Link Traders, a company associated with me. Shareholders approved the issue of the Convertible Notes to Link Traders at a general meeting of the Company held on 15 February 2013. Link Traders has agreed to the extension of the maturity date, subject to the Company obtaining shareholder approval.

If you would like to vote on the item 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, 9 January, 2014. We encourage you to direct your proxy how to vote on the item of business.

If you have any queries in relation to the General Meeting, please contact the undersigned on (02) 8014 7611.

Yours sincerely,



Laurence Freedman AM
Chairman
Sydney, Australia
5 December, 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, 10 January, 2014 at the offices of the Company at Suite 403, 25 Lime 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. To extend the Maturity Date of the Convertible Notes under the Convertible Note Deed Poll (Resolution)

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

"That, approval is given for the Company to extend the Maturity Date of the Convertible Notes issued pursuant to the Convertible Note Deed Poll from 31 December, 2013 to 30 June, 2014. "

Voting Exclusion Statement

The Company will disregard any votes cast on the Resolution by Link Traders and any associate of Link Traders. However, the Company need not disregard a vote on the Resolution 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.*

Important Notes

For further information and explanation on the above Resolution, please refer to the Explanatory Memorandum which accompanies this Notice of Meeting.

By Order of the Board



Robert Schuitema
Company Secretary
Sydney, Australia
4 December, 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, 8 January, 2014.

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 Resolution.

If you intend to appoint the Chairman as your proxy, you can direct him how to vote by marking the appropriate boxes for the Resolution (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 to vote your undirected proxy (in which case, the Chairman will vote in favour of the Resolution).

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

4. 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, 9 January, 2014:

- by mail to Suite 403, 25 Lime Street, Sydney, NSW, 2000; or
- by fax to (02) 8014 7625

5. 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 10 January, 2014 at the offices of the Company located at Suite 403, 25 Lime 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 Resolution 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. Extend the Maturity Date of the Convertible Notes under the Convertible Note Deed Poll (Resolution)

Background

On 15 February 2013, the Company entered into the Convertible Note Deed Poll.

Pursuant to the Convertible Note Deed Poll, the Company may issue unsecured convertible notes with a face value of \$1,000 to subscribers.

On 15 February 2013, Shareholders approved the issue of 1,300 Convertible Notes to Link Traders. Link Traders is a party related to the Chairman of the Company, Mr Laurence Freedman AM. On 15 February 2013, following Shareholder approval, the Company issued the Link Traders Notes to Link Traders.

Pursuant to the terms of Convertible Note Deed Poll unless converted, the Convertible Notes, including the Link Traders Notes, will be repayable by the Company on 31 December, 2013 (or such later date as is agreed between the Company and the Noteholder). In accordance with the Convertible Note Deed Poll, Shares issued upon the conversion of a Convertible Note will have an issue price of 4.6 cents per Share. Link Traders is the only holder of Convertible Notes issued pursuant to the Convertible Note Deed Poll.

Terms of the Convertible Notes

Each Note issued pursuant to the Convertible Note Deed Poll is subject to the following terms:

- 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;
- a Noteholder may convert the Convertible Notes into Shares in the Company at any time from the date of issue of the Convertible Note until 5.00pm on the Business Day immediately preceding the Maturity Date;
- the Maturity Date in respect of a Convertible Note is 31 December 2013, or such later date agreed between the Company and the Noteholder;
- 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 Noteholder 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 by the Maturity Date must be repaid by the Company at its face value of \$1,000, plus all accrued interest on the Convertible Note;
- Convertible Notes are freely transferrable; and

- material amendments to the Convertible Note Deed Poll may only be made if the amendments are approved by the consent in writing of Noteholders holding more than one-half of the issued Convertible Notes.

The Company wishes to amend the Convertible Note Deed Poll to extend the Maturity Date of the Convertible Notes from 31 December 2013 to 30 June 2014.

To effect the extension of the Maturity Date, the Company intends to enter into a Deed of Variation with Link Traders in respect of the Convertible Note Deed Poll.

The Resolution seeks Shareholder approval to extend the Maturity Date under the Convertible Note Deed Poll from 31 December 2013 to 30 June 2014. The extension of the Maturity Date may benefit Link Traders, a party related to the Chairman. Link Traders currently holds a 17.2% shareholding in the Company. If all of the Link Traders Notes are converted, Link Traders percentage shareholding in the Company will increase to approximately 26% (assuming no other Shares are issued by the Company in the meantime and subject to the requirements of the Corporations Act). There is however no assurance that the Link Traders will convert the Link Traders Notes.

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

The Listing Rules do not require Shareholders to approve the variation to the Convertible Note Deed Poll, however, Link Traders' agreement to extend the Maturity Date is subject to the Company obtaining Shareholder approval.

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 Traders) recommend that Shareholders vote in favour of the Resolution.

Voting Exclusion Statement

The Company will disregard any votes cast on the Resolution 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.

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) **Company** means Phoslock Water Solutions Limited ACN 099 555 290.
- (6) **Convertible Note** means a convertible note with a face value of \$1,000 issued pursuant to the Convertible Note Deed Poll .
- (7) **Convertible Note Deed Poll** means the convertible note deed poll entered into by the Company and dated 15 February 2013, setting out the terms and conditions on which the Convertible Notes are constituted and issued.
- (8) **Corporations Act** means the *Corporations Act 2001* (Cth).
- (9) **Directors** means the directors of the Company from time to time.
- (10) **Explanatory Memorandum** means this Explanatory Memorandum.
- (11) **General Meeting** means the extraordinary general meeting of the Company convened by the Notice of Meeting.
- (12) **Link Traders** means Link Traders (Aust.) Pty Ltd ACN 002 065 849.
- (13) **Link Traders Notes** means the 1,300 Convertible Notes issued to Link Traders on 15 February 2013.
- (14) **Listing Rules** means the listing rules of ASX (as amended or waived).
- (15) **Maturity Date** means, in respect of a Convertible Note, 31 December 2013 or such later date agreed between the Company and the Noteholder.
- (16) **Noteholder** means a holder from time to time of a Convertible Note.
- (17) **Notice of Meeting** means the notice of General Meeting accompanying this Explanatory Memorandum.
- (18) **Proxy Form** means the proxy form accompanying this Explanatory Memorandum.
- (19) **Resolution** means the resolution set out in the Notice of Meeting.
- (20) **Shareholder** means a person or entity entered in the Company's register of members from time to time as the holder of Shares.
- (21) **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 403, 25 Lime Street, Sydney, NSW, 2000

Please post all Proxies to Phoslock Water Solutions Limited, Suite 403, 25 Lime Street, Sydney, NSW, 2000

or fax to (02) 8014 7625

I/Weof.....

appoint

or in his/her absence.....

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, 10 January, 2014 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 the Resolution (except where you have indicated a different voting intention below) even though the Chairman has an interest in the Resolution.

Important for Resolution: 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 the Resolution, 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 the Resolution and that votes cast by the Chairman of the General Meeting for the 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 the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

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

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 Resolution 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: Extend the Maturity Date under the Convertible Note Deed Poll.

☐☐☐

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 the Resolution.

In relation to the Resolution, 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" section or the 'FOR', 'AGAINST' or 'ABSTAIN' box in relation to that Resolution, the Chairman will not cast your votes on the Resolution and your votes will not be counted in computing the required majority if a poll is called on this item.

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, 9 January, 2014. Proxy Forms and accompanying documents may be sent to the Company by:

- posting them to the address on this form; or
- fax to (02) 8014 7625