

Notice of Annual General Meeting and Explanatory Memorandum

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

Date: Thursday, 27th November, 2014

Time: 10:00 am

Venue: Sheraton on the Park Hotel

161 Elizabeth Street

Sydney, NSW

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A Proxy Form	Attached

Phoslock Water Solutions Limited

ACN 099 555 290

Dear Shareholder,

I am pleased to invite you to attend the 2014 Annual General Meeting of Phoslock Water Solutions Limited (**Company**) to be held at 10:00 am on Thursday, 27th November, 2014. The Annual General Meeting will be held at the Sheraton on the Park Hotel, 161 Elizabeth Street, Sydney, NSW.

I enclose your Notice of Meeting, Explanatory Memorandum, Proxy Form and the Company's 2014 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 that are proposed for the Annual General Meeting:

- 1. Receipt and consideration of Financial Statements and Reports of the Company**
- 2. Adoption of the Remuneration Report for the Company**
- 3. Re-election of Mr Laurence Freedman AM as a Director of the Company**

- I will be retiring by rotation as a non-executive Director of the Company and, being eligible, offer myself for re-election. Your Directors (other than myself) unanimously recommend my re-election as a Director.
- Refer to the Company's 2014 Annual Report for details regarding my experience and qualifications.

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

Shareholders are being asked to approve an issue of \$500,000 convertible notes to Link Traders (Aust.) Pty Ltd, a company associated with me. Those notes will repay part of an existing loan facility with Link Traders (Aust.) Pty Ltd.

5. Issue of Convertible Notes to Sail Ahead Pty Ltd

Shareholders are being asked to approve an issue of \$160,000 convertible notes to Sail Ahead Pty Ltd, a company associated with Robert Schuitema, the Managing Director of the Company. Those notes will repay an existing \$160,000 loan provided by Sail Ahead Pty Ltd to the Company.

6. Further issue of Convertible Notes to Sail Ahead Pty Ltd

Shareholders are being asked to approve an issue of a further \$90,000 convertible notes to Sail Ahead Pty Ltd, a company associated with Robert Schuitema, the Managing Director of the Company.

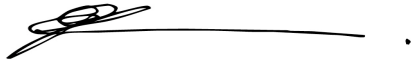
7. Other Business

Any other business that may be properly conducted or transacted.

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, 26th November 2014. We encourage you to direct your proxy how to vote on each item of business.

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

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'L' followed by a long horizontal stroke and a small dot at the end.

Laurence Freedman AM

Chairman

Sydney, Australia

7th October, 2014

Notice of Annual General Meeting

NOTICE IS GIVEN that the 2014 Annual General Meeting of Phoslock Water Solutions Limited ACN 099 555 290 (**Company**) will be held at 10:00 am on Thursday, 27th November 2014 at the Sheraton on the Park Hotel, 161 Elizabeth 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. Financial Statements and Reports

To receive and consider the following reports of the Company for the year ended 30 June 2014:

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

There is no vote on this item of business.

Item 2. Adoption of Remuneration Report (Resolution 1)

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 Company for the financial year ended 30 June 2014 be adopted."

Under the Corporations Act, this resolution is advisory only and does not bind the Directors or the Company. However, please refer to the Explanatory Memorandum for an explanation of the consequences of 25% or more eligible votes being cast against this advisory resolution.

Voting exclusion statement

In accordance with the Corporations Act, a vote must not be cast (in any capacity) on Resolution 1 by or on behalf of a member of the Company's Key Management Personnel, details of whose remuneration are included in the 2014 Remuneration Report for the Company or a Closely Related Party of such a person.

However, this voting exclusion under the Corporations Act in relation to a vote cast on Resolution 1 does not apply if:

- it is cast by a person as a proxy for a person entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Annual General 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 (chair) decides.

What this means for Shareholders: If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, please ensure that you direct them how to vote on Resolution 1. If you intend to appoint the Chair of the Meeting as your proxy, you can direct him how to vote by marking a box on the Proxy Form for Resolution 1 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Resolution 1 and give the Chair your express authority to vote your undirected proxy as he see fit even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the KMP (in which case the Chair will vote in favour of Resolution 1).

Item 3. Re-election of Director (Resolution 2)

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

"That the Mr Laurence Freedman AM, 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 Convertible Notes to Link Traders (Aust.) Pty Ltd (Resolution 3)

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 500 Convertible Notes to Link Traders (Aust.) Pty Ltd at an issue price of \$1,000 per Convertible Note on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 3 by Link Traders and any associate of Link Traders. However, the Company need not disregard a vote on Resolution 3 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.

What this means for Shareholders: If you intend to appoint Link Traders or any associate of Link Traders as your proxy, please ensure that you direct them how to vote on Resolution 3. If you intend to appoint the Chair of the Meeting as your proxy, you can direct him how to vote by marking a box on the Proxy Form for Resolution 3 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Resolution 3 and give the Chair your express authority to vote your undirected proxy as he see fit (in which case the Chair will vote in favour of Resolution 3).

Item 5. Issue of Convertible Notes to Sail Ahead Pty Ltd (Resolution 4)

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 160 Convertible Notes to Sail Ahead Pty Ltd at an issue price of \$1,000 per Convertible Note on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by Sail Ahead and any associate of Sail Ahead. However, the Company need not disregard a vote on Resolution 4 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.

What this means for Shareholders: If you intend to appoint Sail Ahead or any associate of Sail Ahead as your proxy, please ensure that you direct them how to vote on Resolution 4. If you intend to appoint the Chair of the Meeting as your proxy, you can direct him how to vote by marking a box on the Proxy Form for Resolution 4 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Resolution 4 and give the Chair your express authority to vote your undirected proxy as he see fit (in which case the Chair will vote in favour of Resolution 4).

Item 6. Further issue of Convertible Notes to Sail Ahead Pty Ltd (Resolution 5)

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 90 Convertible Notes to Sail Ahead Pty Ltd at an issue price of \$1,000 per Convertible Note on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 by Sail Ahead and any associate of Sail Ahead. However, the Company need not disregard a vote on Resolution 5 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

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- 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.

What this means for Shareholders: If you intend to appoint Sail Ahead or any associate of Sail Ahead as your proxy, please ensure that you direct them how to vote on Resolution 5. If you intend to appoint the Chair of the Meeting as your proxy, you can direct him how to vote by marking a box on the Proxy Form for Resolution 5 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Resolution 5 and give the Chair your express authority to vote your undirected proxy as he see fit (in which case the Chair will vote in favour of Resolution 5).

Item 7. Other Business

To conduct or transact any other business that may be properly 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 Company's 2014 Annual Report, the Remuneration Report and the management or performance of the Company and to ask the Auditor or their representative questions relevant to the conduct of the audit, the preparation and content of their Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of its 2014 Annual Report and the Auditor's independence in relation to the conduct of the audit.

By Order of the Board



Robert Schuitema
Company Secretary
Sydney, Australia
7th October, 2014

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 Annual General Meeting, to be held by the persons who are registered as holding them as at 7.00 pm on Wednesday, 26th November, 2014.

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 Share held by him or her.

3. Important Voting Information

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

The Chairman of the Annual General Meeting intends to vote all undirected proxies in favour of each Resolution. However, the Chairman of the Meeting is not permitted to vote an undirected proxy on Resolution 1 (Remuneration Report) unless the proxy expressly authorises the Chairman to exercise the proxy on such Resolution even if it is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel.

In respect of Resolution 1, if your proxy is a person who is not entitled to vote in his or her own right, the person may still vote as your proxy provided you have directed your proxy on the Proxy Form the way your proxy is to vote or your proxy is the Chairman of the Meeting and you have expressly authorised him to vote as outlined above.

3. Proxies

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. 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 Annual General Meeting, that is, by 10.00 am on Wednesday, 26th November 2014 at the Company's registered office, being Suite 403, Level 4, 25 Lime Street, Sydney, NSW, 2000.

4. Bodies Corporate

A Shareholder which is a body corporate and which is entitled to attend and vote at a meeting of Shareholders of the Company may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at the meeting or in the capacity of the Shareholder's proxy. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on that body corporate's behalf, all of the powers that the body could exercise at a meeting or in voting on a resolution. The representative must present satisfactory evidence that they are authorised to act as the body corporate'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 Annual General Meeting to be held at 10:00 am on Thursday, 27th November 2014 at the Sheraton on the Park Hotel, 161 Elizabeth Street, Sydney, NSW.

This Explanatory Memorandum is incorporated in, and forms part of, the accompanying Notice of Meeting. The purpose of this Explanatory Memorandum is to provide Shareholders with information relevant to the Resolutions to be put to Shareholders at the 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 Company's 2014 Annual Report is enclosed with the Notice of Meeting (for those Shareholders who have elected to receive a printed copy) and is also available online at www.phoslock.com.au.

Section 317 of the Corporations Act requires the Annual Financial Report of the Company (which includes the Financial Statements and Directors' Declaration), the Directors' Report (which includes the Remuneration Report) and the Auditor's Report in respect of the financial year ended on 30 June 2014 to be laid before the Annual General Meeting.

Except for the non-binding advisory resolution in respect of the Remuneration Report (refer to Resolution 1 below), there is no requirement in either the Corporations Act or the Company's constitution for Shareholders to approve the Annual Financial Report, the Directors' Report or the Auditor's Report.

In accordance with the Corporations Act, Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on these reports and on the management or performance of the Company.

The Auditor is required to attend the Meeting and will be available to take Shareholders' questions relevant to the conduct of the audit, the preparation and content of their Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of its 2014 Annual Report and the Auditor's independence in relation to the conduct of the audit.

Item 2. Adoption of Remuneration Report (Resolution 1)

The Corporations Act requires listed companies to put a Remuneration Report relating to director and executive remuneration for each financial year to a resolution of members at their annual general meeting. The Remuneration Report for the Company is included in the Company's 2014 Annual Report.

Under section 250R(3) of the Corporations Act, the vote on the Remuneration Report is advisory only and does 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.

If at 2 consecutive annual general meetings of the Company, 25% or more of votes cast on a resolution that the Remuneration Report be adopted are against the adoption of the Remuneration Report the Company will be required to put to Shareholders a resolution at the second annual general meeting proposing the calling of an extraordinary general meeting to consider the election of Directors of the Company (known as a “**spill resolution**”).

If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene an extraordinary general meeting (known as a “**spill meeting**”) within 90 days of the spill resolution. All of the Directors who were in office when the Remuneration Report (being, the report laid before the second annual general meeting) was approved by the Board (other than the Managing Director) will cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting. Following the spill meeting, those persons whose re-election as Directors is approved will remain directors of the Company.

The Company's 2013 Remuneration Report was adopted at the 2013 Annual General Meeting by more than 75% of the eligible votes cast.

In compliance with section 300A of the Corporations Act, the Remuneration Report sets out the Company's policy for determining the nature and amount of remuneration for the Directors and specified executive officers of the Company. The Board has a policy of ensuring that remuneration paid to Directors and management is market competitive while at the same time aligned to the achievement of strategic objectives and the creation of value for Shareholders.

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 15 to 20 of the Company's 2014 Annual Report.

Item 3. Re-election of Director (Resolution 2)

Clause 22 of the Company's constitution requires that at each Annual General Meeting one-third of the Directors must retire from office.

Mr Laurence Freedman AM, Chairman and a non-executive Director of the Company, retires by rotation and is eligible for re-election at the Annual General Meeting. In accordance with clause 22 of the Company's constitution, Mr Freedman has submitted himself for re-election at the Annual General Meeting as a non-executive Director.

Details of Mr Freedman's experience and qualifications are set out on page 14 of the Company's 2014 Annual Report.

Recommendation

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

Item 4. Issue of Convertible Notes to Link Traders (Aust.) Pty Ltd (Resolution 3)

Background

Link Traders is a company related to the Chairman, Mr Laurence Freedman AM. On 8 April, 2014 Link Traders, the Company, PPL, and PTP entered into the Link Loan Facility Deed, pursuant to which Link Traders agreed to provide an \$823,507 working capital loan facility to PPL on commercial terms, repayable on or before 31 December 2014 (**Link Facility**). The Company and PTP agreed to guarantee the obligations of PPL under the Link Loan Facility Deed. PPL has drawn down the full amount of the Link Facility. Accordingly, PPL owes Link Traders \$823,507 (**Link Loan**).

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

In order to better fund the working capital requirements of the Company and its subsidiaries, the Directors (other than Mr Freedman) have determined that part of the Link Loan should be repaid by the Company issuing 500 Convertible Notes to Link Traders, for a total issue price of \$500,000 (**New Link Convertible Notes**).

Link Traders currently holds 1,300 Convertible Notes issued to it by the Company on 15 February 2013, following shareholder approval at a General Meeting held on 15 February 2013 (**Existing Link Convertible Notes**). If Shareholders approve Resolution 3, the Company will issue a further 500 Convertible Notes to Link Traders (**New Link Convertible Notes**). Accordingly, Link Traders will hold a total of 1800 Convertible Notes, if Shareholders approve Resolution 3.

Unless converted, the New Link Convertible Notes will be repayable by the Company on 30 June, 2016 (or such later date as is agreed). Shares issued on conversion of a New Link Convertible Note will have an issue price of 4 cents each.

Resolution 3 seeks Shareholder approval to issue the New Link Convertible Notes to Link Traders for the purposes of Listing Rule 10.11. Link Traders is a company related to the Chairman, and currently holds a 17.24% shareholding in the Company. If Link Traders converts all of its 1,800 Convertible Notes, its percentage holding in the Company will increase to approximately 29.3% (assuming no other Shares are

issued by the Company in the meantime and subject to the requirements of the Corporations Act). There is no assurance that any of the Convertible Notes issued to Link Traders will be converted.

Subscription Agreement for the issue of Convertible Notes

To give effect to the issue of the New Link Convertible Notes and the repayment of \$500,000 of the Link Loan, the Company intends to enter into a subscription agreement with Link Traders pursuant to which the Company will agree to issue 500 Convertible Notes at an issue price of \$1,000 per Convertible Note.

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

- Link Traders agrees to subscribe for, and the Company agrees to issue to Link Traders, 500 Convertible Notes each with a face value of \$1,000 per Convertible Note;
- completion of the issue of Convertible Notes to Link Traders is conditional upon Shareholder approval for the purposes of the Listing Rules, including Listing Rule 10.11 (being Resolution 3) (**Condition Precedent**);
- completion of the issue of Convertible Notes to Link Traders will occur on the later of the date the Link Subscription Agreement is signed and the 5th Business Day after satisfaction or waiver of the Condition Precedent;
- the Convertible Notes to be issued will be subject to certain terms and conditions which are summarised below;
- the amount raised from the issue of the Convertible Notes will be applied in part repayment of a the Link Loan, being an amount of \$500,000;
- each of PPL and PTP agree to guarantee the payment obligations of the Company under the Convertible Notes; and
- each of the Company, Link Traders, PPL and PTP has provided representations and warranties that are customary for agreements of this nature.

Terms of the New Link Convertible Notes

The key terms of the New Link Convertible Notes are as follows:

- the issue price for each Convertible Note is \$1,000;
- interest of 15% per annum is payable monthly in arrears 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. The interest rate is less than the interest rate under the Link Loan Facility Deed, which is currently 20% per annum;
- Link Traders may convert the Convertible Note into Shares in the Company at any time from the date of issue until the Business Day immediately preceding the Maturity Date;
- the number of Shares to be issued on conversion of 1 Convertible Note is 25,000 (being an issue price per Share of 4 cents);
- the Company must not convert, and Link Traders 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 New Link Convertible Notes not converted to Shares on the Maturity Date must be repaid by the Company at its face value of \$1,000, plus all accrued interest on the Convertible Note; and
- the New Link Convertible Notes are freely transferrable.

A copy of the terms and conditions of the New Link Convertible Notes is available to Shareholders upon request to the Company Secretary.

Listing Rule 10.11

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

Link Traders is an entity which is ultimately controlled by the Chairman, and is therefore a Related Party of the Company for the purpose Listing Rule 10.11.

Listing Rule 7.1

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

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

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders to assist them in determining whether to approve Resolution 3:

- The name of the person to whom the securities will be issued – Link Traders.
- The maximum number of securities to be issued to Link Traders - under the Link Subscription Agreement, the Company intends to issue 500 Convertible Notes to Link Traders. Each Convertible Note is convertible any time from the date of issue until the Business Day immediately preceding the Maturity Date into 25,000 Shares.
- The date by which the Company will issue the securities (which must not be more than 1 month after the date of the meeting) - if Resolution 3 is passed, the issue of the New Link Convertible Notes will occur on the later of the date the Link Subscription Agreement is signed, and the 5th Business Day after Resolution 3 is passed (and in any event, no later than the date which is 1 month after the date of this Annual General Meeting).
- If the person is not a Director, a statement of the relationship between the person and the Director that requires the approval to be obtained - Link Traders is a company which is ultimately controlled by the Chairman and is therefore a Related Party of the Company.
- The issue price of the securities and a statement of the terms of the issue - the New Link Convertible Notes will be issued to Link Traders at a price of \$1,000 per Convertible Note. Each Convertible Note is convertible into 25,000 Shares (being an issue price per Share of 4 cents). The maximum number of Shares which may be issued if all 500 New Link Convertible Notes are converted is 12,500,000 Shares. Upon conversion, the Shares issued to Link Traders will rank pari passu in all respects from the date of issue with the existing Shares of the Company. The Company will apply for official quotation on ASX of all Shares issued pursuant to a conversion of a Convertible Note.
- A voting exclusion statement - a voting exclusion statement in respect of Resolution 3 is set out in the Notice of Meeting and also below.
- The intended use of the funds raised - it is intended that the funds raised by the issue of the New Link Convertible Notes will be used by way of set-off to repay \$500,000 of the Link Loan. The balance of the Link Loan after the issue of the New Link Convertible Notes will be \$323,507 (**Link Loan Balance**). The Link Loan Balance will be repayable by PPL on 31 December 2014.

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 Resolution 3. The Directors consider that the issue to Link Traders of 500 Convertible Notes at \$1,000 per Convertible Note is reasonable, as the terms and interest payable are commercial. In particular, the interest rate payable in respect of the New Link Convertible Notes is substantially lower than that payable under the Link Loan Facility Deed. This will result in savings to PPL.

Voting Exclusion Statement

In accordance with Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on Resolution 3 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 Annual General Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Item 5. Issue of Convertible Notes to Sail Ahead (Resolution 4)

Background

Sail Ahead is a company related to the Managing Director of the Company, Mr Robert Schuitema. Sail Ahead has provided a \$160,000 working capital loan to PPL on commercial terms, repayable at 7 days' notice. The interest rate for the Sail Ahead loan is 20% per annum (**Sail Ahead Loan**). To date, no interest has been paid by PPL in respect of the Sail Ahead Loan.

In order to better fund the working capital requirements of the Company and its subsidiaries, the Directors (other than Mr Schuitema) have determined that the Sail Ahead Loan be repaid by the Company issuing 160 Convertible Notes to Sail Ahead for a total issue price of \$160,000 (**Sail Ahead Convertible Notes**). Sail Ahead does not currently hold any Convertible Notes.

Unless converted, the Sail Ahead Convertible Notes will be repayable by the Company on 30 June, 2016 (or such later date as is agreed). Shares issued on conversion of a Sail Ahead Convertible Note will have an issue price of 4 cents each.

Resolution 4 seeks Shareholder approval to issue 160 Convertible Notes to Sail Ahead for the purposes of Listing Rule 10.11. Sail Ahead is a party related to the Managing Director, Mr Robert Schuitema, and currently holds a 3.3% shareholding in the Company. If all of the Sail Ahead Convertible Notes are converted, as well as all of the 1,800 Convertible Notes held by, or to be issued to, Link Traders, Sail Ahead's percentage shareholding in the Company will increase to approximately 4.2% (assuming no other Shares are issued by the Company in the meantime and subject to the requirements of the Corporations Act). There is no assurance that the Sail Ahead Convertible Notes will be converted.

Subscription Agreement for the issue of the Sail Ahead Convertible Notes

To give effect to the issue of Convertible Notes as repayment of the Sail Ahead Loan, the Company and Sail Ahead intend to enter into the Sail Ahead Subscription Agreement # 1.

The key terms of the Sail Ahead Subscription Agreement # 1 are as follows:

- Sail Ahead agrees to subscribe for, and the Company agrees to issue, 160 Convertible Notes each with a face value of for \$1,000 per Convertible Note;
- completion of the issue of the Sail Ahead Convertible Notes is conditional upon Shareholder approval for the purposes of the Listing Rules, including Listing Rule 10.11 (being Resolution 4) (**Condition Precedent**);
- the issue of the Sail Ahead Convertible Notes will occur on the later of the date the Sail Ahead Subscription Agreement # 1 is signed and the 5th Business Day after satisfaction or waiver of the Condition Precedent;

- the Sail Ahead Convertible Notes will be subject to certain terms and conditions, which are summarised below;
- the amount raised from the issue of the Convertible Notes will be applied in repayment of the principal amount owing under the Sail Ahead Loan, being \$160,000;
- each of PPL and PTP agree to guarantee the payment obligations of the Company under the Convertible Notes; and
- each of the Company, Sail Ahead, PPL and PTP has provided representations and warranties that are customary for agreements of this nature.

Terms of the Sail Ahead Convertible Notes

The key terms of the Sail Ahead Convertible Notes are as follows:

- the issue price for each Convertible Note is \$1,000;
- interest of 15% per annum is payable monthly in arrears 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;
- Sail Ahead may convert the Convertible Note into Shares in the Company at any time from the date of issue until the Business Day immediately preceding the Maturity Date;
- the number of Shares to be issued on conversion of 1 Sail Ahead Convertible Note is 25,000 (being an issue price per Share of 4 cents);
- the Company must not convert, and Sail Ahead must not seek to convert, any or all of the Sail Ahead Convertible Notes if to do so would involve a breach of the Corporations Act or any other law;
- any Sail Ahead Convertible Notes not converted to Shares on the Maturity Date must be repaid by the Company at its face value of \$1,000, plus all accrued interest on the Convertible Note; and
- the Sail Ahead Convertible Notes are freely transferrable.

A copy of the terms and conditions of the Sail Ahead Convertible Notes is available to Shareholders upon request to the Company Secretary.

Listing Rule 10.11

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

Sail Ahead is an entity which is ultimately controlled by the Managing Director, and is therefore a Related Party of the Company for the purpose Listing Rule 10.11.

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

Listing Rule 10.13 requirements for the issue of Convertible Notes to Sail Ahead

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders to assist them in determining whether to approve Resolution 4:

- The name of the person to whom the securities will be issued – Sail Ahead.

- The maximum number of securities to be issued to Sail Ahead - under the Sail Ahead Subscription Agreement # 1, the Company intends to issue 160 Convertible Notes to Sail Ahead. Each Convertible Note is convertible any time from the date of issue until the Business Day immediately preceding the Maturity Date into 25,000 Shares;
- The date by which the Company will issue the securities (which must not be more than 1 month after the date of the meeting) - if Resolution 4 is passed, the issue of the Convertible Notes to Sail Ahead will occur on the later of the date the Sail Ahead Subscription Agreement # 1 is signed, and the 5th Business Day after Resolution 4 is passed (and in any event, no later than the date which is 1 month after the date of this Annual General Meeting);
- If the person is not a Director, a statement of the relationship between the person and the Director that requires the approval to be obtained - Sail Ahead is a company which is ultimately controlled by the Managing Director and is therefore a Related Party of the Company;
- The issue price of the securities and a statement of the terms of the issue - the Convertible Notes will be issued to Sail Ahead at a price of \$1,000 per Convertible Note. Each Convertible Note is convertible into 25,000 Shares (being an issue price per Share of 4 cents). The maximum number of Shares which may be issued if all Convertible Notes are converted is 4,000,000 Shares. Upon conversion, the Shares issued to Sail Ahead will rank pari passu in all respects from the date of issue with the existing Shares of the Company. The Company will apply for official quotation on ASX of all Shares issued pursuant to a conversion of a Convertible Note;
- A voting exclusion statement - a voting exclusion statement in respect of Resolution 4 is set out in the Notice of Meeting and also below; and
- The intended use of the funds raised - it is intended that the funds raised by the issue of Convertible Notes to Sail Ahead will be used by way of set-off to repay the principal amount owing under the Sail Ahead Loan, being \$160,000.

Directors' Recommendation

The Directors (other than the Managing Director who has declined to make a recommendation due to his position as director and ultimate controller of Sail Ahead) recommend that Shareholders vote in favour of Resolution 4 for the reasons set out above. In particular, the Directors consider that the issue to Sail Ahead of 160 Convertible Notes at \$1,000 per Convertible Note is reasonable, as the terms and interest payable are commercial.

Voting Exclusion Statement

In accordance with Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on Resolution 4 by Sail Ahead 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 Annual General Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Item 6. Further issue of Convertible Notes to Sail Ahead (Resolution 5)

Background

Sail Ahead is a company related to the Managing Director of the Company, Mr Robert Schuitema. The Company and Sail Ahead intend to enter into the Sail Ahead Subscription Agreement # 2.

The key terms of the Sail Ahead Subscription Agreement # 2 are as follows:

- Sail Ahead agrees to subscribe for, and the Company agrees to issue, 90 Convertible Notes each with a face value of for \$1,000 per Convertible Note (**Further Sail Ahead Notes**);
- the total amount payable by Sail Ahead to the Company for the Further Sail Ahead Notes is \$90,000 (**Subscription Fee**);

- completion of the issue of the Further Sail Ahead Notes is conditional upon Shareholder approval for the purposes of the Listing Rules, including Listing Rule 10.11 (being Resolution 5) (**Condition Precedent**);
- the issue of the Further Sail Ahead Notes will occur on the later of the date the Sail Ahead Subscription Agreement # 2 is signed and the 5th Business Day after satisfaction or waiver of the Condition Precedent;
- Sail Ahead will pay the Subscription Fee by 12 equal monthly instalments of \$7,500 per instalment;
- the Subscription Fee is payable in full by 31 October 2015;
- no interest is payable on the Subscription Fee or the instalments;
- the Further Sail Ahead Notes will be subject to certain terms and conditions, which are summarised below; and
- the amount raised from the issue of the Further Sail Ahead Notes will be used for working capital purposes of the Company and its subsidiaries.

Terms of the Further Sail Ahead Notes

The key terms of the Further Sail Ahead Notes are as follows:

- the issue price for each Convertible Note is \$1,000;
- Sail Ahead may convert the Convertible Note into Shares in the Company at any time from the date of issue until the Business Day immediately preceding the Maturity Date;
- the number of Shares to be issued on conversion of 1 Further Sail Ahead Note is 25,000 (being an issue price per Share of 4 cents);
- the Company must not convert, and Sail Ahead must not seek to convert, any or all of the Further Sail Ahead Notes if to do so would involve a breach of the Corporations Act or any other law;
- any Further Sail Ahead Notes not converted to Shares on the Maturity Date must be repaid by the Company at its face value of \$1,000; and
- the Further Sail Ahead Notes are freely transferrable.

A copy of the terms and conditions of the Further Sail Ahead Notes is available to Shareholders upon request to the Company Secretary.

Resolution 5 seeks Shareholder approval to issue a further 90 Convertible Notes to Sail Ahead for the purposes of Listing Rule 10.11. Sail Ahead is a party related to the Managing Director, Mr Robert Schuitema, and currently holds a 3.3% shareholding in the Company. If all of the 250 Convertible Notes to be issued to Sail Ahead (as detailed in Item 5 above and this Item 6) are converted, as well as all of the 1,800 Convertible Notes held by, or to be issued to, Link Traders (as detailed in Item 4 above), Sail Ahead's percentage shareholding in the Company will increase to approximately 4.9% (assuming no other Shares are issued by the Company in the meantime and subject to the requirements of the Corporations Act). There is no assurance that any of the 250 Convertible Notes to be issued to Sail Ahead under Resolutions 4 and 5 will be converted.

Listing Rule 10.11

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

Sail Ahead is an entity which is ultimately controlled by the Managing Director, and is therefore a Related Party of the Company for the purpose Listing Rule 10.11.

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

Listing Rule 10.13 requirements for the issue of Convertible Notes to Sail Ahead

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders to assist them in determining whether to approve Resolution 5:

- The name of the person to whom the securities will be issued – Sail Ahead.
- The maximum number of securities to be issued to Sail Ahead - under the Sail Ahead Subscription Agreement # 2, the Company intends to issue 90 Convertible Notes to Sail Ahead. Each Convertible Note is convertible any time from the date of issue until the Business Day immediately preceding the Maturity Date into 25,000 Shares;
- The date by which the Company will issue the securities (which must not be more than 1 month after the date of the meeting) - if Resolution 5 is passed, the issue of the Convertible Notes to Sail Ahead will occur on the later of the date the Sail Ahead Subscription Agreement # 2 is signed, and the 5th Business Day after Resolution 5 is passed (and in any event, no later than the date which is 1 month after the date of this Annual General Meeting);
- If the person is not a Director, a statement of the relationship between the person and the Director that requires the approval to be obtained - Sail Ahead is a company which is ultimately controlled by the Managing Director and is therefore a Related Party of the Company;
- The issue price of the securities and a statement of the terms of the issue - the Convertible Notes will be issued to Sail Ahead at a price of \$1,000 per Convertible Note. Each Convertible Note is convertible into 25,000 Shares (being an issue price per Share of 4 cents). The maximum number of Shares which may be issued if all Convertible Notes are converted is 2,250,000 Shares. Upon conversion, the Shares issued to Sail Ahead will rank pari passu in all respects from the date of issue with the existing Shares of the Company. The Company will apply for official quotation on ASX of all Shares issued pursuant to a conversion of a Convertible Note;
- A voting exclusion statement - a voting exclusion statement in respect of Resolution 5 is set out in the Notice of Meeting and also below; and
- The intended use of the funds raised - it is intended that the funds raised by the issue of Convertible Notes to Sail Ahead will be used for working capital purposes by the Company and its subsidiaries.

Directors' Recommendation

The Directors (other than the Managing Director who has declined to make a recommendation due to his position as director and ultimate controller of Sail Ahead) recommend that Shareholders vote in favour of Resolution 5. The Directors consider that the issue to Sail Ahead of 90 Convertible Notes at \$1,000 per Convertible Note is reasonable in the circumstances.

Voting Exclusion Statement

In accordance with Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on Resolution 5 by Sail Ahead 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 Annual 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) **Annual General Meeting** or **Meeting** means the 2014 annual general meeting of the Company convened by the Notice of Meeting.
- (3) **ASX** means ASX Limited ACN 008 624 691 or, as the context requires, the market operated by it.
- (4) **Auditor** means the Auditor of the Company.
- (5) **Board** means the board of directors of the Company.
- (6) **Business Day** means a day on which banks are open for business in Sydney excluding a Saturday, Sunday or public holiday.
- (7) **Closely Related Party** has the meaning given in section 9 of the Corporations Act and includes a spouse, dependent and certain other close family members of the KMP, as well as companies controlled by a KMP.
- (8) **Company** means Phoslock Water Solutions Limited ACN 099 555 290.
- (9) **Convertible Note** means a convertible note issued by the Company.
- (10) **Corporations Act** means the *Corporations Act 2001* (Cth).
- (11) **Directors** mean the directors of the Company from time to time.
- (12) **Explanatory Memorandum** means this Explanatory Memorandum.
- (13) **Key Management Personnel** or **KMP** means persons having authority and responsibility for planning, directing and controlling the activities of the Company and its controlled entities, directly or indirectly, including any Director (whether executive or otherwise).
- (14) **Link Loan Facility Deed** means the Loan Facility Deed between the Company, PPL, PTP and Link Traders dated 8 April 2014, for the provision of an \$823,545 working capital facility to PPL.
- (15) **Link Subscription Agreement** means the subscription agreement to be entered into between Link Traders and the Company in relation to the issue of 500 Convertible Notes.
- (16) **Link Traders** means Link Traders (Aust.) Pty Ltd ACN 002 065 849.
- (17) **Listing Rules** means the listing rules of ASX (as amended or waived).
- (18) **Maturity Date** means, in respect of a Convertible Note, 30 June 2016 or such other date as agreed between the Company and the holder of a Convertible Note.
- (19) **Notice of Meeting** means the notice of Annual General Meeting accompanying this Explanatory Memorandum.
- (20) **PPL** means Phoslock Pty Ltd ACN 087 115 295, a wholly-owned subsidiary of the Company.
- (21) **Proxy Form** means the proxy form accompanying this Explanatory Memorandum.
- (22) **PTP** means Phoslock Technologies Pty Ltd ACN 117 501 587, a wholly-owned subsidiary of the Company.
- (23) **Related Party** has the meaning given in the Listing Rules.

- (24) **Resolutions** means the resolutions set out in the Notice of Meeting.
- (25) **Sail Ahead** means Sail Ahead Pty Ltd ACN 095 594 719.
- (26) **Sail Ahead Loan** means the \$160,000 working capital loan provided by Sail Ahead.
- (27) **Sail Ahead Subscription Agreement # 1** means the subscription agreement to be entered into between Sail Ahead and the Company in relation to the issue of 160 Convertible Notes as repayment of the funds drawn down by PPL under the Sail Ahead Facility.
- (28) **Sail Ahead Subscription Agreement # 2** means the subscription agreement to be entered into between Sail Ahead and the Company in relation to the issue of 90 Convertible Notes.
- (29) **Shareholder** means a person or entity entered in the Company's register of members from time to time as the holder of Shares.
- (30) **Shares** means fully paid ordinary shares in the capital of the Company quoted on the ASX under the code "PHK".

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

Shareholder Proxy Form

Phoslock Water Solutions Limited, Suite 403, Level 4, 25 Lime, Street, Sydney, NSW, 2000.

Please post all Proxies to Suite 403, 25 Lime Street, Sydney, NSW 2000.

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 (Sydney time) on Thursday, 27th November 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.

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

In relation to Resolution 1, if the Chairman of the Annual General Meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'FOR', 'AGAINST' or 'ABSTAIN' box in relation to that Resolution, you will have expressly authorised the Chairman to exercise your proxy in respect of that Resolution even if that Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

Other than in the circumstance contemplated above, Directors, other Key Management Personnel of the Company and their Closely Related Parties (see Notice of Meeting and overleaf) are not permitted to cast any votes in respect of Resolution 1 (Remuneration Report) that arise from any undirected proxy that they hold. If the Directors or another Key Management Personnel (other than the Chairman of the Meeting) is your proxy, and you fail to provide a voting direction in respect of Resolution 1, your vote will not be cast.

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

Number of shares OR %

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

	FOR	AGAINST	ABSTAIN*
Resolution 1: Adoption of Remuneration Report	☐	☐	☐
Resolution 2: Re-election of the Mr Laurence Freedman	☐	☐	☐
Resolution 3: Convertible Notes issued to Link Traders	☐	☐	☐
Resolution 4: Convertible Notes issued to Sail Ahead	☐	☐	☐
Resolution 5: Further Convertible Notes issued to Sail Ahead	☐	☐	☐

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 Annual 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 Annual 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 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 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 Annual General Meeting intends to vote all undirected proxies in favour of each Resolution. In relation to Resolution 1, if the Chairman of the Annual General Meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'FOR', 'AGAINST' or 'ABSTAIN' box in relation to that Resolution, you will have expressly authorised the Chairman to exercise your proxy in respect of that Resolution even if that Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

Other than in the circumstance contemplated above, Directors, other Key Management Personnel of the Company and their Closely Related Parties (see Notice of Meeting) are not permitted to cast any votes in respect of Resolution 1 (Remuneration Report) that arise from any undirected proxy that they hold. If the Directors or another Key Management Personnel (other than the Chairman of the Meeting) is your proxy, and you fail to provide a voting direction in respect of Resolution 1, your vote will not be cast.

Signature(s)

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

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

Lodgement 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 that is, by 10.00 am on Wednesday, 26th November 2014. Proxy Forms and accompanying documents may be sent to the Company by posting or delivering them to the address on this form.