

Waterco Limited

DIVIDEND REINVESTMENT PLAN

Dividend Reinvestment Plan booklet

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Waterco Limited ABN 62 002 070 733

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This is an important document. If you have any doubts about what you should do, please consult your stockbroker, accountant or other professional adviser.

If you have any questions regarding the Dividend Reinvestment Plan after reading this booklet, please contact the Share Registry, Computershare Investor Services Pty Ltd on 1300 85 05 05.

Defined words and expressions used in this booklet are capitalised. Please see the Glossary for their meanings.

QUESTIONS AND ANSWERS

Am I eligible to participate in the DRP?

All holders of fully paid Waterco ordinary shares who have a registered address in Australia, New Zealand or Singapore are eligible to participate in the DRP. Shareholders with a registered address in Malaysia may be eligible (see Part 2 of the Rules for further details).

How do I participate in the DRP?

Participation in the DRP is optional.

Shareholders can either log onto Investor Centre of Computershare Investor Services Pty Ltd's website to make their DRP election or to contact Computershare Investor Services Pty Ltd on 1300 850 505 for a copy of the DRP Election Form to make the election.

When will my participation in the DRP begin?

Your participation in the DRP will begin on the first Dividend Record Date after your completed and signed DRP Election Form is received by Waterco's Share Registry.

Do all of my Waterco shares have to participate in the DRP?

No. You can choose the number of Shares that you wish to participate in the DRP ("Partial Participation") on the DRP Election Form. If you choose Partial Participation, your dividend entitlement for Shares that are not participating in the DRP will be paid to you in cash (either by cheque or direct credit).

You can change your level of participation in the DRP or terminate your participation in the DRP at any time by completing and lodging a new DRP Election Form with Waterco's Share Registry. The new DRP Election will be effective from the next Dividend Record Date after it is received by the Share Registry.

How much does it cost to participate in the DRP?

You will not be charged any fees, brokerage or other transaction costs for Shares that you acquire under the DRP.

How many Shares will I receive?

The number of Shares that you will receive is calculated by dividing the dividend payable on your participating shares by the Issue Price. Your entitlement will be rounded up to the nearest whole number of Shares.

You will be sent a statement after each issue of Shares to you under the DRP.

How is the Issue Price determined?

The Issue Price for each dividend is the average price of all Waterco shares sold on the Australian Stock Exchange on the Dividend Record Date and the 14 trading days immediately before that date, unless the Directors have selected another period (this period is the “Price Determination Period”).

The Issue Price will be the average market price determined in this way, less any discount that may be applied by the Directors from time to time (the current discount is 5%).

RULES OF THE DIVIDEND REINVESTMENT PLAN

1 Commencement of the DRP

The DRP and these Rules will commence operation on such date as the Directors determine.

2 Eligibility to participate in the DRP

2.1 Participation in the DRP is optional.

2.2 Any Shareholder is eligible to participate in the DRP unless excluded under this Part 2.

2.3 Shareholders with a registered address in Australia, New Zealand or Singapore may participate in the DRP.

2.4 Shareholders with a registered address in Malaysia are eligible if they satisfy the Directors that the offer and issue of Shares to them under the DRP falls within an exception to the prospectus requirements of Malaysia's Capital Markets and Services Act, 2007.

2.5 Unless otherwise determined by the Directors, a Shareholder who is ordinarily resident in any country other than those referred to in paragraphs 2.3 and 2.4 is not eligible to participate in the DRP. Where such shareholders live in countries other than the USA and Canada, the Board may allow participation if satisfied that the Company's offer and issue of shares under the DRP would not breach fundraising laws in that country.

3 Application to participate in the DRP

3.1 An eligible Shareholder who wishes to participate in the DRP has the option to log onto Investor Centre of Computershare Investor Services Pty Ltd's website to make their DRP election or to contact Computershare Investor Services Pty Ltd on 1300 850 505 for a copy the DRP Election Form and return the completed DRP Election Form to Computershare Services Pty Ltd.

3.2 Subject to Rule 3.3, an eligible Shareholder's participation in the DRP will commence from the first Dividend Record Date after receipt by the Share Registry of the Shareholder's DRP Election Form.

3.3 The Company may accept or refuse a DRP Election.

4 Level of participation in the DRP

4.1 To complete the DRP Election, an eligible Shareholder must elect between full participation and partial participation.

4.2 A DRP Election that:

- (a) fails to elect between full and partial participation;
- (b) elects both full and partial participation; or
- (c) elects partial participation but fails to specify the number of Participating Shares;

will be deemed to be an election for full participation.

- 4.3 If a Participant elects, or is deemed to have elected, full participation for a holding of Shares, the DRP will apply to all Shares in that Shareholding from time to time. If a Participant elects partial participation only that number of Shares specified by the Participant in the DRP Election Form will participate in the DRP.
- 4.4 If, at any relevant Dividend Record Date, a Participant's total Shareholding is less than the number of Participating Shares specified in the Participant's DRP Election Form, all of the Shares in that Shareholding will be deemed to be Participating Shares in respect of the dividend to which the Dividend Record Date relates.

5 Operation of the DRP

- 5.1 Subject to Rule 5.2, each dividend from time to time due and payable by the Company to a Participant in respect of Participating Shares will be applied by the Company on behalf of the Participant as the Issue Price for Shares.

- 5.2 Any portion of a dividend payable to a Participant:

- (a) which is deductible by the Company as withholding tax or tax required to be remitted to the Australian Taxation Office as a result of failure by the Participant to supply a tax file number; or
- (b) which the Company is entitled or required to withhold or deduct for any reason from the dividend;

will not be applied to the Issue Price for Shares.

- 5.3 For each dividend payable to a Participant, the Company will:

- (a) determine the amount of the dividend payable with respect to the Participating Shares of the Participant;
- (b) determine any amount to be withheld or deducted under Rule 5.2;
- (c) determine the balance (if any) of the amount determined under paragraph (a) after deducting the amount determined under paragraph (b);
- (d) determine the number of Shares to be issued to the Participant under the DRP by dividing the balance determined under paragraph (c) by the Issue Price and rounding up to the nearest whole number of Shares; and
- (e) allot to the Participant, the number of Shares so determined, by using the

amount determined under paragraph (c).

6 Issue Price and Discount

- 6.1 The Issue Price per Share for any particular dividend is the Market Price, less the Discount, rounded down to the nearest whole cent.
- 6.2 If the Directors determine that no discount or a different discount from 5% will apply to a particular dividend the variation will be announced to ASX, but the variation will not apply to dividends already announced.

7 Issue or transfer of Shares

- 7.1 Shares issued under the DRP will be issued within the time required by ASX and will rank equally with all existing Shares from the date on which they are issued.
- 7.2 Shares issued under the DRP will be registered on the Register in the Participant's name and in the same Shareholding as that nominated on the relevant DRP Election Form.

8 DRP Statements

- 8.1 After the issue of Shares under the DRP, the Company will send each Participant to whom Shares have been issued a statement specifying:
 - (a) the number of the Participant's Participating Shares at the Dividend Record Date;
 - (b) the dividend in respect of those Participating Shares;
 - (c) the amount of any withholding or deduction from the dividend under Rule 5.2;
 - (d) the franked amount (if any) of the dividend and the franking credit (if any) attached to the dividend;
 - (e) the number of Shares issued to the Participant under the DRP;
 - (f) the Issue Price of each Share issued to the Participant under the DRP;
 - (g) the date on which the Shares were issued to the Participant under the DRP; and
 - (h) subject to any Share transactions in which the Participant may have engaged after the Dividend Record Date, the total number of Shares (both Participating and Non-Participating) held by the Participant after the issue or transfer of Shares under the DRP.

9 Variation or termination of participation in the DRP

- 9.1 At any time a Participant may:
 - (a) vary the Participant's participation from full participation to partial

participation or from partial participation to full participation; or

- (b) maintain the Participant's partial participation but increase or decrease the number of Participating Shares; or
- (c) terminate its participation in the DRP

by completing, signing and sending a DRP Election Form to the Share Registry. Participants can obtain a DRP Election Form for this purpose by calling the Share Registry or log onto Investor Centre of Computershare Services Pty Ltd.

9.2 A DRP Election varying a Participant's level of participation in the DRP will take effect from the next Dividend Record Date after it is received by the Share Registry.

9.3 If a Participant disposes of part of the Participant's holding of Shares and does not notify the Company otherwise, the Shares disposed of will, to the extent possible:

- (a) first, reduce the number of any Non-Participating Shares which the Participant holds; and
- (b) secondly, reduce the number of any Participating Shares which the Participant holds.

10 Participant's costs

10.1 No brokerage, commission or other transaction costs will be payable by a Participant in respect of any Shares acquired under the DRP.

11 Administration of the DRP

11.1 The DRP will be administered by the Directors and any determination made by the Directors in connection with the DRP or the Rules will be final and binding.

12 Variation, suspension and termination of the DRP

12.1 The DRP may be varied, suspended, recommenced or terminated by the Directors at any time.

12.2 A variation, suspension, recommencement or termination of the DRP will take effect on such date as the Directors determine.

12.3 If the Rules are modified, a Participant continues to participate under the modified Rules, unless the Participant terminates their participation in the DRP.

12.4 A variation, suspension, recommencement or termination of the DRP will not give rise to any liability on the part of, or right of action against, the Company or its directors, officers, employees, representatives or agents.

13 Taxation

13.1 Neither the Company nor its Directors, officers, employees, representatives or agents:

- (a) take any responsibility or assume any liability for, or as a consequence of the tax liabilities of any person in connection with the DRP; or
- (b) represent or warrant that a Participant will gain any taxation advantage or will not incur a taxation liability or disadvantage as a result of participation in the DRP.

14 Governing law

- 14.1 The DRP and the Rules are governed by the laws of New South Wales.

15 Interpretation

- 15.1 In these Rules, unless the context otherwise requires:

- (a) a reference to the DRP or these Rules includes any variation or replacement of them;
- (b) the singular includes the plural and vice versa;
- (c) if a word or phrase is defined, cognate words and phrases have corresponding definitions;
- (d) the word person includes a firm, body corporate, unincorporated association or authority;
- (e) a reference to a statute includes all regulations and other instruments made under it and consolidations, amendments, re-enactments and replacements of any of them; and
- (f) headings are inserted for convenience and do not affect the interpretation of the Rules.

GLOSSARY

In the Rules and this booklet, the following words and expressions have the meanings indicated unless the contrary intention appears:

“**ASX**” means Australian Stock Exchange Limited.

“**Company**” means Waterco Limited ABN 62 002 070 733.

“**Directors**” means the directors of the Company acting as a board or a committee of the board.

“**Discount**” means 5% of the Market Price, unless the Directors determine in their discretion that a different discount, or no discount, will apply.

“**Dividend Record Date**” means the date and time, as determined by the Directors, at which the Register is closed for the purpose of determining entitlements to dividends.

“**DRP**” means the Waterco Limited Dividend Reinvestment Plan as varied from time to time.

“**DRP Election**” means the election made by an eligible shareholder through the DRP Election Form or the online form at Investor Centre of Computershare Services Pty Ltd.

“**DRP Election Form**” means the form that must be used to apply for, vary or terminate participation in the DRP and include an online form at Investor Services of Computershare Services Pty Ltd.

“**Issue Price**” means, in respect of a particular dividend, the Market Price, less any applicable Discount, rounded down to the nearest whole cent.

“**Market Price**” means the average of the daily volume weighted average sale price per Share of Shares sold on ASX during the Price Determination Period, excluding Shares sold otherwise than in the ordinary course of trading on ASX (including any transaction defined in the ASX Business Rules as “special”, crossings prior to the commencement of normal trading, crossings during the closing phase and the after hours adjust phase, overnight crossings, overseas trades and any other sales which the Directors consider may not be fairly reflective of natural supply and demand).

“**Non-Participating Shares**” means those Shares that a Participant has not nominated for participation in the DRP or which are deemed to be ineligible to participate pursuant to these Rules.

“**Participant**” means, in respect of a particular dividend, an eligible Shareholder who participates in the DRP, having applied to participate in accordance with Rule 3. If an eligible Shareholder holds more than one holding, the Shareholder is treated as a separate Participant for each holding.

“**Participating Shares**” means those Shares that a Participant has nominated to participate in the DRP or which are deemed to participate in the DRP pursuant to the Rules.

“Price Determination Period” means, in respect of a particular dividend, the Dividend Record Date and the 14 ASX trading days immediately before that date, unless the Directors have determined in their discretion that another period of at least 15 ASX trading days will be used.

“Register” means the register of members of the Company.

“Rules” means the rules of the DRP as amended from time to time.

“Shareholder” means a registered holder of Shares.

“Shares” means fully paid ordinary shares in the capital of the Company.

“Share Registry” means the Company’s share registry identified on the DRP Election Form from time to time.

CORPORATE DIRECTORY

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Share Registry and Inquiries about the DRP

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