



Phoslock Water Solutions Limited

SHARE PURCHASE PLAN

September 2017



Suite 403
25 Lime Street
Sydney NSW 2000 Australia

Phone: 02 8014 7611
Website: www.phoslock.com.au
Email: enquiries@phoslock.com.au



26 September, 2017

Dear Shareholder,

2017 Share Purchase Plan Terms and Conditions

On behalf of the Board, I am pleased to provide eligible shareholders with the opportunity to participate in an offer (**Offer**) to purchase new fully paid ordinary shares (**New Shares**) in Phoslock Water Solutions Limited (**Phoslock** or the **Company**) under the 2017 Phoslock Share Purchase Plan (**SPP**).

The value of New Shares an eligible shareholder can subscribe for is restricted to a maximum total of \$15,000. The issue price for each New Share is \$0.175 (**17.5 cents**) (**Offer Price**).

The Terms and Conditions of the SPP and your Application Form under which the Offer is made are enclosed with this letter. You should read those documents in their entirety before deciding whether or not to accept the Offer and participate in the SPP.

The SPP is not underwritten. Proceeds from the SPP will be used to:

1. Increase working capital including growing inventories;
2. Expand sales and marketing coverage and technical support, predominantly in China; and
3. Substantially reduce the Company's liabilities.

The Company recently announced on 6 September, 2017 a fourfold increase in projected sales for FY2017-18, with a significant part of this growth forecast to come from our China businesses.

Eligibility

Participation in the SPP is optional and open to eligible shareholders, being holders of fully paid ordinary shares in Phoslock at 7.00 pm (Sydney time), 19th September, 2017 and whose address on the share register is in Australia or New Zealand. Please refer to sections 3 and 4 of the enclosed SPP Terms and Conditions for further information, if you are not a shareholder whose registered address is in Australia or New Zealand.

Your right to participate in the SPP is not transferrable.

How to apply

The SPP opens on Wednesday 27th September, 2017 and closes at 5.00 pm, Friday 13th October, 2017, unless varied.

To apply for New Shares you may either:

- complete and return the accompanying Application Form, together with payment via cheque, bank draft or money order to Computershare; or
- make a BPAY® payment by using the specific Biller Code and unique Customer Reference Number (CRN) shown on the accompanying Application Form.

You may apply for a parcel of New Shares in integral multiples of \$500 from a minimum value of \$1,000 to a maximum value of \$15,000 (subject to any scale back). Cleared funds must be received by no later than 5.00 pm (Sydney time) on 13 October, 2017.

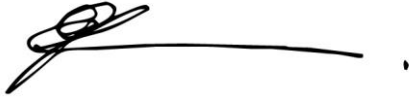
Queries

If you have any questions in relation to how to participate in the SPP, please contact Mr Robert Schuitema, Managing Director and Company Secretary on +61 2 8014 7611 or +61 412 305 442.

If you have any questions in relation to whether an investment in Phoslock through the SPP is appropriate for you, please contact your stockbroker, accountant or other professional advisor.

Thank you for your support of Phoslock.

Yours sincerely,

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

Laurence Freedman AM

Chairman

Phoslock Water Solutions Limited

2017 Share Purchase Plan

Terms and Conditions

1 Background

- 1.1 On 20 September 2017, the Company announced that it had approved a share purchase plan (**SPP**) entitling Eligible Shareholders to purchase up to \$15,000 worth of New Shares at an issue price of \$0.175 (17.5 cents) per share.
- 1.2 For current information on the Company, shareholders are referred to the 2017 Financial Report released on 25 August, 2017, the Half Year Report for the period ended 31 December, 2016 and to recent announcements to ASX. These documents can be found on the Company's website at www.phoslock.com.au or the ASX's website at www.asx.com.au (ASX code: PHK).

2 SPP Key Dates

Key dates for the SPP are as follows:

Record Date	7.00 pm, 19 September 2017
Offer opens	27 September 2017
Closing Date	5.00 pm, 13 October 2017
Allotment of New Shares	20 October 2017
Trading of New Shares expected to commence on ASX	23 October 2017
Holding statements expected to be dispatched to shareholders	24 October 2017

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

3 Who is eligible to apply?

- 3.1 A person will be eligible to participate in the Offer (an **Eligible Shareholder**) if:
- (1) the person was a registered holder of Shares at 7:00pm on 19 September 2017 (**Record Date**); and
 - (2) the person's registered address is in Australia or New Zealand,

as follows:

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

- 3.2 Custodians can obtain a copy of a pro-forma Custodian Certificate by contacting the Company on (02) 8014 7611 or 0412 305 442.

4 Restrictions in United States and other Jurisdictions

- 4.1 The Company has determined that it is not practical for holders of Shares with registered addresses outside Australia and New Zealand to participate in the SPP. To the extent that a person holds Shares on behalf of another person resident outside Australia or New Zealand, it is that person's responsibility to ensure that any participation in the SPP complies with all applicable foreign laws.
- 4.2 The New Shares to be issued under this Offer have not been and will not be registered under the US Securities Act of 1993 as amended (**Securities Act**) or the securities laws of any state or other jurisdiction of the United States. In order to comply with relevant securities laws, the New Shares to be issued under this SPP may not be offered, sold or otherwise transferred to shareholders located in the United States (as defined in Regulation S under the Securities Act) or to shareholders who are, or who are acting on the account or for the benefit of, a US person (as defined in Regulation S under the Securities Act) (**US Person**). Accordingly, copies of these Terms and Conditions or any other material relating to the SPP must not be sent to any person resident in the United States or to shareholders who are, or who are acting on the account or for the benefit of, US persons.

- 4.3 Consistent with the warranties contained in these Terms and Conditions and the application form accompanying these Terms and Conditions (**Application Form**), Eligible Shareholders must not submit any completed Application Form or payment slip or make any payment in respect of the purchase of New Shares under the SPP on behalf of any persons resident in the United States or who are, or are acting for the account or benefit of, US Persons. Failure to comply with these restrictions may result in violations of applicable securities laws.

5 Participation is optional

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

6 Non-Renounceable Offer

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

7 Use of funds and effect of the Offer

- 7.1 Funds raised through this Offer will be used to provide working capital for the Company as described in the Chairman's letter which accompanies these Terms and Conditions.
- 7.2 The effect of the Offer will be to increase:
- (1) the number of Shares on issue from 455.6 million to 467.6 million (assuming the Offer is fully subscribed); and
 - (2) the cash held by the Company (assuming the Offer is fully subscribed) from approximately \$4,600,000 to approximately \$6,700,000.
- 7.3 The Offer is not underwritten.

8 Offer Price

- 8.1 The Offer Price for each New Share under the SPP is \$0.175 (17.5 cents).
- 8.2 The Offer Price represents approximately a 10% discount to the volume-weighted average market price of Shares traded in the ordinary course on the ASX for the last 5 days prior to the day on which the SPP was announced on 20 September 2017.

- 8.3 Eligible Shareholders should note that the market price of Shares may rise and fall between the date of this Offer and the date when New Shares are allotted under the SPP. Accordingly, the price that Eligible Shareholders pay per New Share pursuant to this Offer may be either higher or lower than the market price of Shares at the time of this Offer or at the time the New Shares are allotted to it under this SPP.
- 8.4 The Company recommends that Eligible Shareholders monitor the price of Shares, which can be found in the financial pages of major Australian metropolitan newspapers, or on the ASX's website at www.asx.com.au (ASX code: PHK).

9 Ranking of New Shares

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

10 Applications may be scaled back

- 10.1 The board of directors of the Company (**Board**) has resolved to cap the total number of New Shares that may be issued under the SPP to 12.0 million New Shares. The Board reserves the right, in its sole discretion, to increase this cap. Any increase in the cap will be announced to the ASX. If applications are received under the SPP in excess of the cap set by the Board, applications will be scaled back to the extent and in the manner that the Board sees fit, including by taking into account the times and dates on which Application Monies from Eligible Shareholders are received by the Company (on a "first come first served" basis).
- 10.2 If applications are scaled back, an Eligible Shareholder may not receive the full parcel of New Shares for which it has applied. If a scale back produces a fractional number when applied to an Eligible Shareholder's parcel, the number of New Shares an Eligible Shareholder will be allotted under the SPP will be rounded up to the nearest whole number of New Shares.
- 10.3 In the event of a scale back, the difference between the value of the New Shares issued to an Eligible Shareholder (calculated at the Offer Price for the New Shares) and the Application Monies received from that Eligible Shareholder will be refunded by the Company, without interest, following the issue of the New Shares.

11 What costs are payable?

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

12 Maximum Subscription Amount (\$15,000)

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

13 Certification

- 13.1 Subject to section 3.1(2)(c) above, by submitting the payment slip in the accompanying Application Form or otherwise paying the Application Monies to the Company, each Eligible Shareholder certifies that the aggregate of the Application Monies paid by it for:

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

does not exceed \$15,000.

- 13.2 If an Eligible Shareholder submits a payment slip or otherwise pays Application Monies to the Company as a Custodian, it will be deemed to have represented that:

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

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

14 Calculation of the number of New Shares

- 14.1 In the absence of scale back, the number of New Shares to be issued to an Eligible Shareholder under the SPP will be calculated by dividing the Application Monies received by the Company by the Offer Price for the New Shares (rounded upwards to the nearest whole number of New Shares, in the case of fractions).

- 14.2 For example, in the absence of scale back, if an Eligible Shareholder applies for \$15,000 of New Shares at the Offer Price that Eligible Shareholder will be allotted 85,715 New Shares.
- 14.3 If the Company scales back applications, the number of New Shares to which an Eligible Shareholder may be entitled, as scaled back, may not be equal to a whole number of New Shares. In that event, the number of New Shares allotted to an Eligible Shareholder will be rounded up to the nearest whole number of New Shares.

15 How to apply for New Shares

- 15.1 The SPP opens on 27th September 2017. An Eligible Shareholder may apply for New Shares by:

- (1) duly completing the payment slip in the accompanying Application Form and returning it to:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne, Victoria, 3001

together with a cheque, bank draft or money order drawn on an Australian bank in Australian dollars for the appropriate Application Monies so that it is received by no later than 5.00 pm on the Closing Date; or

- (2) making a BPAY® payment by using the specific Biller Code and unique Customer Reference Number (CRN) shown on the accompanying Application Form.

If an Eligible Shareholder makes a payment using BPAY®, it does not need to complete or return the payment slip in the Application Form. Payment must be received by no later than 5.00 pm on the Closing Date.

Eligible Shareholders should be aware that its financial institution may implement earlier cut-off times with regard to electronic payment, and it should therefore take this into consideration when making payment through BPAY®.

It is the responsibility of each Eligible Shareholder to ensure that Application Monies submitted through BPAY® are received by 5.00 pm on the Closing Date.

- 15.2 The applicable Application Monies and any payment slip must be received by the Company by no later than 5:00 pm on the Closing Date. While the Company may, but is not obliged to, accept payment slips or Application Monies received after that time, it reserves the right to return any payment and not issue any New Shares in respect of payment slips or Application Monies received after that time.
- 15.3 Application Monies or payment slips under the SPP may not be withdrawn once they have been received by the Company. No interest will be payable on Application Monies held or returned by the Company.
- 15.4 If an Eligible Shareholder pays the Application Monies to the Company (other than by using BPAY®) but does not return a completed payment slip in the accompanying Application Form, the Company may nevertheless treat the payment of those monies as an acceptance of the offer to purchase New Shares under the SPP for that number of New Shares calculated in accordance with section 14.1 above.
- 15.5 Please read the accompanying Application Form for further details of how to apply for New Shares under the SPP.

16 Class Order [CO 09/425] Compliance

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

17 Binding Terms

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

18 New Share Allotment and Quotation Dates

- 18.1 New Shares are expected to be allotted under the SPP on 20 October 2017 and the Company will apply for those New Shares to be listed for quotation on ASX.
- 18.2 Trading in New Shares issued under the SPP is expected to commence on 23 October 2017. Eligible Shareholders should confirm their holding before trading in any New Shares that they believe have been allotted to them under the SPP.
- 18.3 The Company reserves the right to vary any of these dates without notifying Eligible Shareholders. Any variation will be notified to ASX.

19 Withdrawal, Suspension, Termination, Anomalies and Disputes

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

20 Governing Law

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

21 Definitions

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

\$	Australian dollars
Application Form	The application form accompanying these Terms and Conditions and includes the payment slip in it
Application Monies	Monies paid by Eligible Shareholders in respect of New Shares they apply for
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691, or the market operated by it (as the context requires)
Closing Date	13 October 2017, unless varied
Company or Phoslock	Phoslock Water Solutions Limited ABN 88 099 555 290
Constitution	The constitution of the Company as amended from time to time
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Custodian	Has the meaning ascribed to it in paragraph 14(a) of ASIC Class Order [CO 09/425]
Custodian Certificate	The certificate to be provided by custodians as contemplated by ASIC Class Order [CO 09/425]
Downstream Custodian	Has the meaning ascribed to it in paragraph 9(a)(ii) of ASIC Class Order [CO 09/425]
Eligible Shareholder	A person who meets the requirements set out in section 3 above
Listing Rules	The ASX Listing Rules as amended or waived from time to time
New Share	A Share to be issued pursuant to the Offer
Offer	The offer of New Shares under these Terms and Conditions and the Application Form
Record Date	7:00pm on 19 September 2017
Securities Act	Securities Act of 1933 (USA)
Share	A fully paid ordinary share in the Company
United States	Has the meaning given to that term in Regulation S under the Securities Act
US Person	Has the meaning given to that term in Regulation S under the Securities Act
All references to time are to time in Sydney, Australia	