

# **Notice of Annual General Meeting and Explanatory Memorandum**

## **Phoslock Water Solutions Limited**

**ACN 099 555 290**

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Date: Thursday 23rd November 2017

Time: 10:00 am

Venue: The Westin Hotel

1 Martin Place,  
Sydney, NSW

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# Phoslock Water Solutions Limited

ACN 099 555 290

Dear Phoslock Shareholder,

I am pleased to invite you to attend the 2017 Annual General Meeting of Phoslock Water Solutions Limited (**Company** or **Phoslock**) to be held at 10:00 am on Thursday, 23<sup>rd</sup> November 2017. The Annual General Meeting will be held at the Westin Hotel, 1 Martin Place, Sydney, NSW.

I enclose your Notice of Meeting, Explanatory Memorandum, Proxy Form, Auditor Nomination Notice and the Company's 2017 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 these documents.

To help you understand what the Notice of Meeting contains, below is a brief outline of the items of business that are proposed for the Annual General Meeting:

1. **Consideration of the 2017 Annual Report of the Company**
2. **Adoption of the Company's Remuneration Report**
3. **Election of Ms Brenda Shanahan as a Director of the Company**
4. **Election of Mr Zhigang Zhang as a Director of the Company**
5. **Ratification of prior issue of Shares**
6. **Approval of issue of Shares to Mr Zhigang Zhang**
7. **Approval of issue of Shares to Ms Brenda Shanahan**
8. **Approval to increase the maximum aggregate remuneration of non-executive Directors**
9. **Appointment of Auditor**

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, by no later than 10.00 am on Wednesday, 22<sup>nd</sup> November 2017. 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.

Lastly, I would like to formally recognise the service of the Hon. Pam Allan, who will not be seeking re-election as a Director at the Annual General Meeting as announced to ASX on 15 September 2017. Your Directors have greatly appreciated and valued Pam's service over the past decade and wish her well in her future endeavours.

Yours sincerely,



**Laurence Freedman AM**  
**Chairman**  
**Sydney, Australia**  
**16<sup>th</sup> October 2017**

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# Notice of Annual General Meeting

**NOTICE** is given that the 2017 Annual General Meeting of Phoslock Water Solutions Limited ACN 099 555 290 (**Phoslock** or **Company**) will be held at 10:00 am on Thursday, 23<sup>rd</sup> November 2017. The Annual General Meeting will be held at the Westin Hotel, 1 Martin Place, Sydney, NSW.

The Explanatory Memorandum accompanying this Notice of Meeting is incorporated in, and forms part of, this Notice of Meeting. The Explanatory Memorandum has been prepared to provide Shareholders with an explanation of the items of business and the Resolutions to be proposed and considered at the Annual General Meeting and should be read in conjunction with this Notice of Meeting.

All documents should be read in their entirety. If you are in any doubt about what to do, you should consult your legal, financial or other professional adviser.

## Agenda

### Business

#### Item 1. Financial and other Reports

To receive and consider the following reports of the Company for the year ended 30 June 2017:

- 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, the Remuneration Report for the Company for the financial year ended 30 June 2017 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 Remuneration Report for the Company or a Closely Related Party of such a member.

However, under the Corporations Act, this voting exclusion does not apply to a vote if:

- it is cast by a person as a proxy appointed in writing by a person entitled to vote that specifies how the proxy is to vote on Resolution 1; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote as an undirected proxy that expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

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 the appropriate box in 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).

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### Item 3. Election of Ms Brenda Shanahan as a Director (Resolution 2)

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

*“That Ms Brenda Shanahan, who retires in accordance with clause 21.2.1 of the constitution of the Company, and being eligible, is elected, and confirmed in office, as a Director of the Company.”*

### Item 4. Election of Mr Zhigang Zhang as a Director (Resolution 3)

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

*“That Mr Zhigang Zhang, who retires in accordance with clause 21.2.1 of the constitution of the Company, and being eligible, is elected, and confirmed in office, as a Director of the Company.”*

### Item 5. Ratification of prior issue of Shares (Resolution 4)

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

*“That for the purposes of ASX Listing Rule 7.4 and all other purposes, Shareholders approve and ratify the prior issue of 22,960,071 Shares on the terms and conditions and in the manner detailed in the Explanatory Memorandum accompanying this Notice of Meeting.”*

**Voting Exclusion Statement:** In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 4 by any person who participated in the prior issue and any of its associates.

However, under the ASX Listing Rules, the Company need not disregard a vote on Resolution 4 if:

- it is cast by a person as 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 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. Approval of issue of Shares to Mr Zhigang Zhang (Resolution 5)

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

*“That for the purposes of ASX Listing Rule 10.11 and all other purposes, Shareholders approve the issue of up to 2,500,000 Shares to Mr Zhigang Zhang, a director of the Company, or his nominee, on the terms and conditions and in the manner detailed in the Explanatory Memorandum accompanying this Notice of Meeting.”*

**Voting Exclusion Statement:** In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 5 by Mr Zhigang Zhang and any associate of Mr Zhigang Zhang.

However, under the ASX Listing Rules, the Company need not disregard a vote on Resolution 5 if:

- it is cast by a person as 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 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 7. Approval of issue of Shares to Ms Brenda Shanahan (Resolution 6)

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

*“That for the purposes of ASX Listing Rule 10.11 and all other purposes, Shareholders approve the issue of up to 1,000,000 Shares to Ms Brenda Shanahan, a director of the Company, or her nominee, on the terms and conditions and in the manner detailed in the Explanatory Memorandum accompanying this Notice of Meeting.”*

**Voting Exclusion Statement:** In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 6 by Ms Brenda Shanahan and any associate of Ms Brenda Shanahan.

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However, under the ASX Listing Rules, the Company need not disregard a vote on Resolution 6 if:

- it is cast by a person as 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 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 8. Approval to increase the maximum aggregate remuneration of non-executive Directors (Resolution 7)**

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

*“That for the purposes of ASX Listing Rule 10.17 and all other purposes, the total aggregate amount of Directors’ fees payable to all non-executive Directors be increased by \$300,000 to \$500,000 per financial year.”*

**Voting Exclusion Statement:** In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 7 by any Director and any associate of a Director.

However, under the ASX Listing Rules, the Company need not disregard a vote on Resolution 7 if:

- it is cast by a person as 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 proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, in accordance with the Corporations Act, a vote must not be cast on Resolution 7 by a KMP or a Closely Related Party of a KMP acting as proxy, if their appointment does not specify the way the proxy is to vote on Resolution 7. However, this voting exclusion under the Corporations Act does not apply if the chair of the meeting is acting as proxy for a person entitled to vote and the appointment expressly authorises the chair to exercise the proxy even if that Resolution is connected directly or indirectly with the remuneration member of the KMP (in which case, the Chair will vote in favour of Resolution 7).

**Item 9. Appointment of Auditor (Resolution 8)**

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

*“That the firm of KPMG, having consented in writing to do so, be appointed to act as Auditor of the Company.”*

**Item 10. 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 2017 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 2017 Annual Report and the Auditor’s independence in relation to the conduct of the audit.

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**By Order of the Board**

A handwritten signature in black ink, appearing to read 'R. Schuitema', with a stylized flourish at the end.

**Robert Schuitema**  
**Company Secretary**  
**Sydney, Australia**  
**16<sup>th</sup> October 2017**

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## 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 Tuesday, 21<sup>st</sup> November 2017.

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

Unless a poll is demanded in advance of voting on a Resolution, voting on each Resolution will initially be by way of a show of hands. 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 Chair of the Annual General Meeting intends to vote all undirected proxies in favour of each Resolution to the extent permitted by law. However, the Chair of the Meeting is not permitted to vote an undirected proxy on Resolution 1 (Remuneration Report) or Resolution 7 (Increase in non-executive Directors' remuneration) unless the proxy expressly authorises the Chair 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 and Resolution 7, if you intend to appoint a member of the KMP (such as one of the Directors other than the Chair) or a Closely Related Party as your proxy, please ensure that you direct them how to vote on that Resolution by marking the appropriate box for that Resolution in the Proxy Form.

If you intend to appoint the Chair as your proxy for Resolution 1 and Resolution 7, you can direct the Chair how to vote by marking the appropriate box for that Resolution in the Proxy Form. Alternatively, in relation to the Chair only, you can choose not to mark a box and give your express authority to exercise an undirected proxy even if the Resolution concerned is connected directly or indirectly with the remuneration of a member of the KMP (in which case, as outlined above, the Chair will vote in favour of Resolution 1 and Resolution 7 to the extent permitted by law).

If the Directors or another KMP (other than the Chair) or a Closely Related Party is your proxy, and you fail to provide a voting direction as outlined above in relation to Resolution 1 or Resolution 7, your vote will not be cast in respect of each such Resolution.

### 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 Chair 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.



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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, by hand delivery, post or facsimile not less than 24 hours prior to the Annual General Meeting, that is, by 10.00 am on Wednesday, 22<sup>nd</sup> November 2017 at the Company’s registered office, being Suite 403, Level 4, 25 Lime Street, Sydney, NSW, 2000, facsimile: (02) 8014 7625.

#### **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 a 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.

#### **4. Definitions**

Certain terms used in this Notice of Meeting and the Explanatory Memorandum are defined in the “Definitions” section of the Explanatory Memorandum. Those defined terms also apply to the enclosed Proxy Form, unless the context requires otherwise.

# Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders of Phoslock Water Solutions Limited ACN 099 555 290 (**Company** or **Phoslock**) in connection with the business to be considered at the Annual General Meeting to be held at 10:00 am on Thursday, 23<sup>rd</sup> November 2017 at the Westin Hotel, 1 Martin Place, 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.

Certain terms 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.

Your Directors recommend that Shareholders carefully read this Explanatory Memorandum and accompanying Notice of Meeting in full before making a decision in relation to any of the Resolutions. If Shareholders are in any doubt about what to do, they should consult their legal, financial or other adviser.

## Item 1. Financial and other Reports

The Company’s 2017 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 the Company’s website at [www.phoslock.com.au](http://www.phoslock.com.au) or the ASX’s website at [www.asx.com.au](http://www.asx.com.au) (ASX code: PHK).

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 2017 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 or a representative of 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 2017 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 entities 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 2017 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 2016 Remuneration Report was adopted at the 2016 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 19 to 22 of the Company's 2017 Annual Report.

Shareholders' attention is drawn to the voting exclusion statement in relation to Resolution 1 in the Notice of Meeting.

### ***Recommendation***

Noting that each Director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report, your Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

### **Item 3. Election of Ms Brenda Shanahan as a Director (Resolution 2)**

As announced to ASX on 15 September 2017, Ms Brenda Shanahan was appointed to the Board as a non-executive Director. At the same time, it was announced that the Hon. Pam Allen after some 10 years of service would retire as a Director at the Annual General Meeting.

Clause 21.2.1 of the constitution of the Company, in summary, provides that any person appointed as a Director by the Board must be confirmed in office at the Company's next annual general meeting otherwise the person ceases to be a Director of the Company at the end of the annual general meeting. In addition, the ASX Listing Rules provide that a person appointed as an addition to the board of directors of a listed entity must not hold office (without re-election) past the next annual general meeting of the listed entity.

Ms Brenda Shanahan, having been appointed as a Director since the last annual general meeting of the Company, offers herself for election as a Director of the Company.

Details of Ms Shanahan's experience and qualifications are set out in the Company's ASX announcement dated 15 September, 2017 when Ms Brenda Shanahan was appointed to the Board.

### ***Recommendation***

Your Directors (other than Ms Shanahan as an abstention) unanimously recommend that Shareholders vote in favour of Resolution 2.

### **Item 4. Election of Mr Zhigang Zhang as a Director (Resolution 3)**

As announced to ASX on 13<sup>th</sup> June 2017, Mr Zhigang Zhang was appointed to the Board as a non-executive Director.

Clause 21.2.1 of the constitution of the Company, in summary, provides that any person appointed as a Director by the Board must be confirmed in office at the Company's next annual general meeting otherwise the person ceases to be a Director of the Company at the end of the annual general meeting. In addition, the ASX Listing Rules provide that a person appointed as an addition to the board of directors of a listed entity must not hold office (without re-election) past the next annual general meeting of the listed entity.

Mr Zhigang Zhang, having been appointed as a Director since the last annual general meeting of the Company, offers himself for election as a Director of the Company.

Details of Mr Zhang's experience and qualifications are set out on page 23 of the Company's 2017 Annual Report.

### **Recommendation**

Your Directors (other than Mr Zhang as an abstention) unanimously recommend that Shareholders vote in favour of Resolution 3.

### **Item 5. Ratification of prior issue of Shares (Resolution 4)**

On 26<sup>th</sup> September 2017, Phoslock issued, without approval of its Shareholders as permitted by ASX Listing Rule 7.1 (described below) 22,960,071 Shares in the capital of the Company at an issue price of 17.5 cents per Share. That issue was pursuant to a placement announced to ASX on 20<sup>th</sup> September 2017.

By issuing those Shares, Phoslock's capacity to issue further securities without Shareholder approval within the 15% annual limit set out in ASX Listing Rule 7.1 (described below) was accordingly reduced.

Subject to a number of exceptions, in general terms, ASX Listing Rule 7.1 limits the number of equity securities (such as shares, options and convertible notes) that a listed entity such as Phoslock may issue or agree to issue without Shareholder approval in any 12 month period to 15% of its issued ordinary shares.

Under the ASX Listing Rules, equity securities issued with shareholder approval do not form part of the 15% annual limit set out in ASX Listing Rule 7.1 (described above).

Listing Rule 7.4 provides that where a listed entity such as Phoslock in general meeting subsequently approves a prior issue of securities and that prior issue did not breach ASX Listing Rule 7.1, those securities will be treated as having been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

This means, by treating the 22,960,071 Shares issued on 26<sup>th</sup> September 2017 within the 15% annual limit set out in ASX Listing Rule 7.1 as having been made with Shareholder approval under ASX Listing Rule 7.4, those Shares will not be deducted in calculating the 15% annual limit under ASX Listing Rule 7.1 available to Phoslock.

In short, by Shareholders subsequently approving the prior issue of 22,960,071 Shares, Phoslock will retain the flexibility to issue new securities in the future up to the 15% annual limit set out in ASX Listing Rule 7.1 (without the need to obtain prior Shareholder approval).

In accordance with ASX Listing Rule 7.5, the following information is provided for Shareholders:

- (1) 22,960,071 Shares were issued on 26<sup>th</sup> September 2017 to approximately 35 sophisticated/professional investors and institutions in Australia and overseas identified by the Company at an issue price 17.5 cents per Share payable in full on allotment. The issue of those Shares did not breach ASX Listing Rule 7.1. Those Shares rank equally with all other Shares on issue.
- (2) As set out in the Company's announcement to ASX on 20 September 2017, funds raised from the issue of those Shares will be used to increase the working capital of the Company including growing inventories, expand sales and marketing coverage and technical support, predominantly in China and reduce substantially the liabilities of the Company.
- (3) Shareholders' attention is drawn to the voting exclusion statement in relation to Resolution 4 in the Notice of Meeting.

### **Recommendation**

Your Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

## **Item 6. Approval of issue of Shares to Mr Zhigang Zhang (Resolution 5)**

On 26<sup>th</sup> September 2017 Phoslock issued 22,960,071 Shares at an issue price of 17.5 cents per Share pursuant to a placement announced to ASX on 20<sup>th</sup> September 2017. The ratification of that issue is the subject of Resolution 4 as outlined above.

At the same time Phoslock announced the placement of those Shares, Phoslock also announced a share purchase plan offering Shareholders the opportunity to acquire up to \$15,000 worth of Shares at the same price as the placement namely, 17.5 cents per Share and that 2 Directors namely Mr Zhigang Zhang and Ms Brenda Shanahan had agreed to subscribe for 3,500,000 (subsequently reduced to 2,500,000) and 1,000,000 Shares respectively under the placement, subject to Shareholder approval.

ASX Listing Rule 10.11 provides that, subject to certain exemptions, a listed entity such as Phoslock must not issue or agree to issue equity securities to any of the following persons without the approval of holders of ordinary shares:

- (1) A related party.
- (2) A person whose relationship with the listed entity or a related party is, in ASX's opinion, such that approval should be obtained.

A related party of a listed entity includes directors and their spouses, their parents and children and entities controlled by those persons.

As the Directors are related parties of the Company, Shareholders must approve the proposed issue of Shares to Mr Zhigang Zhang and Ms Brenda Shanahan or their respective nominees.

Please note that as Shareholder approval of the proposed issue of Shares to Mr Zhang and Ms Shanahan (or their respective nominees) is being sought under ASX Listing Rule 10.11 (outlined above), exemption 14 in ASX Listing Rule 7.2 applies so that approval under ASX Listing Rule 7.1 (described above in relation to Resolution 4) is not required for the proposed issue of those Shares. This means that the 3,500,000 Shares proposed to be issued will not be deducted in calculating the Company's 15% annual limit under ASX Listing Rule 7.1 (described above), if Shareholders approve the proposed issue to Mr Zhang and Ms Shanahan (or their respective nominees) under ASX Listing Rule 10.11.

In accordance with ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to the proposed issue of Shares to Mr Zhigang Zhang (or his nominee):

- (1) The maximum number of Shares to be issued to Mr Zhang or his nominee is 2,500,000 Shares at an issue price of 17.5 cents per Share payable in full on allotment.
- (2) Shares issued to Mr Zhang or his nominee will rank equally with all other Shares on issue.
- (3) The Shares will be issued promptly after the date of the Annual General Meeting but in any event within one month of that date.
- (4) As mentioned above, Shareholder approval is being sought under ASX Listing Rule 10.11 for the proposed issue of 2,500,000 to Mr Zhang or his nominee as they are a related party of Phoslock.
- (5) Funds raised from the proposed issue of Shares will be used for the same purposes outlined in relation to Resolution 4 above and as set out in the Company's announcement to ASX on 20<sup>th</sup> September 2017.
- (6) Shareholders' attention is drawn to the voting exclusion statement in relation to Resolution 5 in the Notice of Meeting.

If Resolution 5 is not passed, the Company will be precluded from issuing Shares to Mr Zhang or his nominee and will therefore not receive application moneys totalling \$437,500 to be used by the Company for the purposes outlined above. Further, in the view of your Directors, the interests of Shareholders are better served if Directors have a meaningful equity interest in the Company.

### **Recommendation**

Your Directors (other than Mr Zhang and Ms Shanahan as abstentions) unanimously recommend that Shareholders vote in favour of Resolution 5.

### **Item 7. Approval of issue of Shares to Ms Brenda Shanahan (Resolution 6)**

As outlined above in relation to Resolution 5, Ms Shanahan has agreed to subscribe to 1,000,000 Shares at an issue price of 17.5 cents per Share, subject to Shareholder approval under the placement announced to ASX on 20<sup>th</sup> September 2017.

Since Ms Shanahan is a Director and related party of Phoslock, Shareholders must approve the proposed issue of 1,000,000 Shares to her or her nominee under ASX Listing Rule 10.11 (outlined above in relation to Resolution 5). Further, also as outlined above in relation to Resolution 5, if approval of the proposed issue to Ms Shanahan or her nominee is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

In accordance with ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to the proposed issue of Shares to Ms Brenda Shanahan (or her nominee):

- (1) The maximum number of Shares to be issued to Ms Shanahan or her nominee is 1,000,000 Shares at an issue price of 17.5 cents per Share payable in full on allotment.
- (2) Shares issued to Ms Shanahan or her nominee will rank equally with all other Shares on issue.
- (3) The Shares will be issued promptly after the date of the Annual General Meeting but in any event within one month of that date.
- (4) As mentioned above, Shareholder approval is being sought under ASX Listing Rule 10.11 for the proposed issue of 1,000,000 Shares to Ms Shanahan or her nominee as they are a related party of the Company.
- (5) Funds raised from the proposed issue of Shares will be used for the same purposes outlined in relation to Resolution 4 above and as set out in the Company's announcement to ASX on 20<sup>th</sup> September 2017.
- (6) Shareholders' attention is drawn to the voting exclusion statement in relation to Resolution 6 in the Notice of Meeting.

If Resolution 6 is not passed, the Company will be precluded from issuing Shares to Ms Shanahan or her nominee and will therefore not receive application moneys totalling \$175,000 to be used by the Company for the purposes outlined above. Further, as also mentioned above, your Directors believe that the interests of Shareholders are better served if Directors have a meaningful equity interest in the Company.

### **Recommendation**

Your Directors (other than Mr Zhang and Ms Shanahan as abstentions) unanimously recommend that Shareholders vote in favour of Resolution 6.

### **Item 8. Approval to increase the maximum aggregate remuneration to non-executive Directors (Resolution 7)**

ASX Listing Rule 10.17 provides that a listed entity such as Phoslock must not increase the total aggregate amount of directors' fees payable to non-executive directors without the approval of holders of its ordinary securities.

The total amount of directors' fees paid to non-executive directors must not exceed the total amount of directors' fees approved by Shareholders under ASX Listing Rule 10.17.

In addition to the ASX Listing Rules, the constitution of the Company provides that non-executive Directors are entitled to be paid an annual sum determined by the Company in general meeting, divided between them in such proportions as they may determine.

Resolution 7 is being put to Shareholders to increase the maximum aggregate amount available for the remuneration of non-executive Directors (**NED Fee Cap**) by \$300,000 to \$500,000 per financial year.

The current NED Fee Cap of \$200,000 per annum was last approved by Shareholders at the 2004 annual general meeting of the Company, more than 10 years ago.

The present increase is being sought because the Board:

- (1) has recently increased in size by one non-executive Director;
- (2) wishes to maintain the flexibility to appoint additional non-executive Directors as the business of the Company expands; and
- (3) wishes to allow for future increases in Directors' fees to retain and attract quality non-executive directors, and to reflect increasing demands on non-executive Directors due to the expanding and global nature of the Phoslock business.

The level of non-executive Directors' fees is reviewed annually for alignment with market competitiveness and the financial resources of the Company.

Details of the non-executive Director remuneration for the financial year ended 30<sup>th</sup> June 2017 are included in the Remuneration Report which forms part of the Directors' Report.

It is not intended to fully utilise the increase in the NED Fee Cap now but to simply allow the Board the flexibility to appoint, if appropriate, additional non-executive Directors and adequately compensate non-executive Directors in the future.

Please note that the NED Fee Cap does not apply to reimbursement of genuine out-of-pocket expenses, genuine "special exertion" fees paid in accordance with the constitution of Phoslock or securities issued to non-executive Directors under ASX Listing Rule 10.11 or 10.14, with the approval of Shareholders.

Details of any securities issued to non-executive Directors under ASX Listing Rule 10.11 or 10.14 with Shareholder approval at any time within the 3 years preceding the date of the Notice of Meeting are:

Mr Laurence Freedman – On 26 November, 2014 Shareholders approved the issue of \$500,000 of convertible notes to Link Traders Pty Ltd. Mr Freedman is a director of Link Traders Pty Ltd. These convertible notes have been converted into Shares.

Mr Laurence Freedman – On 12 August, 2016 Shareholders approved the extension of the maturity date of \$650,000 of convertible notes held by Link Traders Pty Ltd. Mr Freedman is a director of Link Traders Pty Ltd. These convertible notes have been converted into Shares.

Shareholders' attention is drawn to the voting exclusion statement in relation to Resolution 7 in the Notice of Meeting.

### ***Recommendation***

As each non-executive Director has an interest in Resolution 7, the Board does not believe it is appropriate to make a recommendation to Shareholders in relation to this Resolution.

### **Item 9. Appointment of Auditor (Resolution 8)**

At the 2013 annual general meeting of the Company Shareholders approved the appointment of the current Auditor. The current Auditor was appointed in order to facilitate the streamlining of the audit process by having an auditor located in Sydney (previously the Auditor was located in Queensland) as well as, to reduce costs.

Since that appointment in 2013, the Company has significantly increased its sales and international footprint thereby necessitating, in the opinion of the Board, the appointment of an international audit firm who can audit all Phoslock group companies both in Australia and overseas particularly in China. After an evaluation process, the Board selected KPMG, one of the 4 major international accounting firms, to become Phoslock's Auditors. However, under the Corporations Act, the appointment of a new Auditor must be approved by Shareholders.

In accordance with section 328B of the Corporations Act, the Company has received a written nomination from a Shareholder for KPMG to be appointed as Auditor. A copy of that nomination accompanies the Notice of Meeting.

KPMG has given its written consent to act as the Company's Auditor in accordance with section 328A of the Corporations Act, subject to Shareholder approval of their appointment.

The current Auditor has agreed to resign as Auditor with effect from the close of the Annual General Meeting and subject to the Australian Securities and Investments Commission consenting to this resignation.

Please note that a representative of the current Auditor will be available at the Annual General Meeting to answer questions from Shareholders as outlined above in relation to item 1.

***Recommendation***

Your Directors unanimously recommend that Shareholders vote in favour of Resolution 8.



## Definitions

Unless the context requires otherwise, the following terms 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 2017 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) **ASX Listing Rules** means the listing rules of ASX (as amended or waived).
- (5) **Auditor** means the auditor of the Company.
- (6) **Board** means the board of directors of the Company.
- (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 a KMP, as well as companies controlled by a KMP.
- (8) **Company** or **Phoslock** means Phoslock Water Solutions Limited ACN 099 555 290.
- (9) **Corporations Act** means the *Corporations Act 2001* (Cth).
- (10) **Directors** mean the directors of the Company from time to time.
- (11) **Explanatory Memorandum** means this explanatory memorandum which accompanies, and is incorporated as part of, the Notice of Meeting and includes any documents annexed to it or incorporated by reference.
- (12) **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).
- (13) **Meeting** or **Annual General Meeting** means the annual general meeting of the Company convened by the Notice of Meeting.
- (14) **Notice of Meeting** means the Notice of Annual General Meeting dated 16<sup>th</sup> October 2017 accompanying this Explanatory Memorandum.
- (15) **Proxy Form** means the proxy form accompanying this Explanatory Memorandum.
- (16) **Remuneration Report** means the Remuneration Report set out in the Directors' Report section of the Company's annual Financial Report for the year ended 30 June 2017.
- (17) **Resolution** means a resolution set out in the Notice of Meeting.
- (18) **Shareholder** means a person or entity entered in the Company's register of members from time to time as the holder of Shares.
- (19) **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.

Words importing the singular include the plural and vice versa.

A reference to gender is a reference to all genders.

A reference to a person includes a reference to a body corporate and any other entity.

The meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions.

## Notice of Nomination of Auditor

In accordance with section 328B(1) of the Corporations Act (Cwlth) 2001, Mr Stephen Weeks, a shareholder of Phoslock Water Solutions Limited (ABN 88 099 555 290) nominates KPMG (ABN 51 194 660 183) for the appointment as auditor of Phoslock Water Solutions Limited (ABN 88 099 555 290) at its next Annual General Meeting.

A handwritten signature in black ink, appearing to read 'S. Weeks', is positioned above the printed name.

**Mr Stephen Weeks**

6 October, 2017

# Shareholder Proxy Form

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

Please post or deliver all Proxies to Suite 403, 25 Lime Street, Sydney, NSW 2000 or send to facsimile: (02) 8014 7625.

I/We .....

of .....

appoint .....

or in his/her absence.....

of .....

or, if no person is named above or is absent, the Chair 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, 23<sup>rd</sup> November 2017 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 Chair of the Annual General Meeting intends to vote all undirected proxies in favour of each Resolution, to the extent permitted by law.

In relation to Resolutions 1 and 7, if the Chair 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 those Resolutions, you will have expressly authorised the Chair to exercise your proxy in respect of each of those Resolutions 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 in respect of the Chair, 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 Resolutions 1 and 7 that arise from any undirected proxy that they hold. If the Directors or another Key Management Personnel (other than the Chair of the Meeting) is your proxy, and you fail to provide a voting direction in respect of those Resolutions, 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.

<input type="text"/>	Number of shares	OR	<input type="text"/>	%
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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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2: Election of Ms Brenda Shanahan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3: Election of Mr Zhigang Zhang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4: Ratification of prior issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5: Approval of issue of Shares to Mr Zhigang Zhang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6: Approval of issue of Shares to Ms Brenda Shanahan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7: Approval to increase maximum non-executive Directors' remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8: Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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 or otherwise imposed by law).

\*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 Proxy 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 Proxy Form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act*.

# Instructions for completing this Proxy Form

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## Appointment of proxy

Insert the name of your proxy, if your proxy is someone other than the Chair 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 Chair 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 Chair of the Annual General Meeting intends to vote all undirected proxies in favour of each Resolution to the extent permitted by law. In relation to Resolutions 1 and 7, if the Chair 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 those Resolutions, you will have expressly authorised the Chair to exercise your proxy in respect of each of those Resolutions even if the 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 Resolutions 1 and 7 that arise from any undirected proxy that they hold. If the Directors or another Key Management Personnel (other than the Chair of the Meeting) is your proxy, and you fail to provide a voting direction in respect of those Resolutions, 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, 22<sup>nd</sup> November 2017. Proxy Forms and accompanying documents may be sent to the Company by posting or delivering them to the address on this form or sending them by facsimile to the facsimile number on this form.