



Notice of Annual General Meeting and Explanatory Memorandum

Phoslock Environmental Technologies Limited

ACN 099 555 290

DATE: **Thursday 22nd November 2018**

TIME: **10:00 am**

VENUE: **The Westin Hotel
1 Martin Place,
Sydney, NSW**

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Phoslock Environmental Technologies Limited

ACN 099 555 290

Dear Phoslock Shareholder,

I am pleased to invite you to attend the 2018 Annual General Meeting of Phoslock Environmental Technologies Limited (**Company** or **Phoslock**) to be held at 10:00 am on Thursday, 22nd November 2018. 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 and the Company's 2018 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 2018 Annual Report of the Company**
- 2. Adoption of the Company's Remuneration Report**
- 3. Re-election of Mr Laurence Freedman AM as a Director of the Company**
- 4. Ratification of prior issue of Shares**
- 5. Approval for additional 10% placement capacity**
- 6. Other Business**

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, 21st November 2018. We encourage you to direct your proxy how to vote on each item of business.

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

Yours sincerely,

Laurence Freedman AM
Chairman
Sydney, Australia
8th October 2018

Notice of Annual General Meeting

NOTICE is given that the 2018 Annual General Meeting of Phoslock Environmental Technologies Limited ACN 099 555 290 (**Phoslock** or **Company**) will be held at 10:00 am on Thursday, 22nd November 2018. 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 2018:

- 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 2018 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 (**KMP**), 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 sees fit even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the KMP (in which case, the Chair will vote in favour of Resolution 1).

Item 3. Re-election of Mr Laurence Freedman AM as a Director (Resolution 2)

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

"That Mr Laurence Freedman, who retires by rotation in accordance with clause 22.1 of the constitution of the Company, and being eligible for re-election, is re-elected, and confirmed in office, as a Director of the Company."

Item 4. Ratification of prior issue of Shares (Resolution 3)

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 15,377,780 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 in favour of Resolution 3 by or on behalf of any person who participated in the prior issue or any associates of such a person.

However, under the ASX Listing Rules, the Company need not disregard a vote on Resolution 3 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 5. Approval for additional 10% placement capacity (Resolution 4)

To consider and, if thought fit, to pass the following resolution as a **special resolution** of the Company:

"That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities, in number, equal to up to 10% of the number of Shares on issue in the Company (at the time of the issue) calculated in accordance with the formula in ASX Listing Rule 7.1A.2 and otherwise 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 in favour of Resolution 4 by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of Equity Securities (except a benefit solely by reason of being a holder of Shares) or any associates of such a person.

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.

Please note that as at the date of this Notice of Meeting, no Shareholder is precluded from voting on Resolution 4.

Item 6. 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 2018 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 2018 Annual Report and the Auditor's independence in relation to the conduct of the audit.

By Order of the Board

Robert Schuitema
Company Secretary
Sydney, Australia
8th October 2018

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, 20th November 2018.

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) 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, 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, 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 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, your vote will not be cast in respect of each such Resolution.

4. 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.

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, 21st November 2018 at the Company's registered office, being Suite 403, Level 4, 25 Lime Street, Sydney, NSW, 2000, facsimile: (02) 8014 7625.

5. Bodies Corporate

A Shareholder which is a body corporate and which is entitled to attend and vote at a meeting of Shareholders of the Company may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at the meeting

or in the capacity of 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.

6. 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 Environmental Technologies 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, 22nd November 2018 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 2018 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 or the ASX's website at www.asx.com.au (ASX code: PET).

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 2018 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 2018 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 2018 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 2017 Remuneration Report was adopted at the 2017 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 16 to 21 of the Company's 2018 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. Re-election of Mr Laurence Freedman AM as a Director (Resolution 2)

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

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

Details of Mr Freedman's experience and qualifications are set out on page 21 of the Company's 2018 Annual Report.

Recommendation

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

Item 4. Ratification of prior issue of Shares (Resolution 3)

On 12th July 2018, Phoslock issued, without approval of its Shareholders as permitted by ASX Listing Rule 7.1 (described below) 15,377,780 Shares in the capital of the Company at an issue price of 36 cents per Share. That issue was pursuant to a placement announced to ASX on 4th July 2018.

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 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 or under ASX Listing Rule 7.1A (described below) 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 15,377,780 Shares issued on 12th July 2018 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 15,377,780 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) 15,377,780 Shares were issued on 12th July 2018 to sophisticated/professional investors and institutions in Australia and overseas at an issue price 36 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 4th July 2018, funds raised from the issue of those Shares will be used to fund the Company's China business.
- (3) Shareholders' attention is drawn to the voting exclusion statement in relation to Resolution 3 in the Notice of Meeting.

Recommendation

Your Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

Item 5. Approval for additional 10% placement capacity (Resolution 4)

ASX Listing Rule 7.1A provides that an Eligible Entity may seek shareholder approval at its annual general meeting to allow it to issue, or agree to issue, Equity Securities up to 10% of its issued capital during the 12 month period after the entity's annual general meeting at which the approval is obtained (**Additional 10% Placement Capacity**).

The Company is seeking Shareholder approval under Resolution 4 to have the ability to issue Equity Securities under the Additional 10% Placement Capacity. The Company has not previously sought Shareholder approval under the ASX Listing Rule 7.1A for the Additional 10% Placement Capacity.

If Shareholders approve Resolution 4, the number of Equity Securities the Company may issue under the Additional 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (described below). The Equity Securities must be in the same class as an existing class of quoted Equity Securities of the Company. The Company currently has only one class of quoted Equity Securities on issue, being Shares. Therefore, based on its current issued securities, only Shares can be issued by the Company under ASX Listing Rule 7.1A.

Resolution 4 is proposed as a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and entitled to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

Shareholders' attention is drawn to the voting exclusion statement in relation to Resolution 4 in the Notice of Meeting. As at the date of the Notice of Meeting, the Company has not approached any particular existing Shareholder or any associate to participate in an issue of Equity Securities under the Additional 10% Placement Capacity. Accordingly, no Shareholder is precluded from voting on Resolution 4.

1. ASX Listing Rule 7.1A – Eligibility criteria

The Company will be an Eligible Entity for the purposes of ASX Listing Rule 7.1A provided it has a market capitalisation no greater than \$300 million (excluding restricted securities and securities quoted on a deferred settlement basis) and is not included in the S&P/ASX 300 Index as at the date of the relevant special resolution under ASX Listing Rule 7.1A.

As at the date of the Notice of Meeting, the market capitalization of the Company is approximately \$213,792,380 (based on the closing price of \$0.430 per Share on ASX on 26th September 2018) and the Company is not included in the S&P/ASX 300 Index. Accordingly, your Directors believe that the Company will be an Eligible Entity at the date of the Meeting.

If Shareholders approve Resolution 4, the maximum number of Equity Securities that the Company may issue under the Additional 10% Placement Capacity will be calculated according to the following formula (set out in ASX Listing Rule 7.1A.2) (**ASX Listing Rule 7.1A.2 Formula**):

$$(A \times D) - E$$

Where:

- A =** The number of fully paid ordinary securities on issue 12 months before the issue date or date of agreement to issue:
- *plus* the number of fully paid ordinary securities issued in the 12 months under an exception in ASX Listing Rule 7.2;
 - *plus* the number of partly paid ordinary securities that became fully paid in the 12 months;
 - *plus* the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary shares under ASX Listing Rule 7.1 or ASX Listing Rule 7.4; and
 - *less* the number of fully paid ordinary securities cancelled in the 12 months.
- D =** 10%
- E =** The number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the issue date or date of agreement to issue that are not issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or ASX Listing Rule 7.4.

If the Company obtains the approval of its Shareholders to the Additional 10% Placement Capacity:

- any ordinary securities issued under that Additional 10% Placement Capacity will not be counted in variable "A" above until their issue has been ratified under ASX Listing Rule 7.4 (described above) or 12 months has passed since their issue; and
- any securities issued under that Additional 10% Placement Capacity are counted in variable "E" above until their issue has been ratified under ASX Listing Rule 7.4 (described above) or 12 months has passed since their issue.

2. Placement capacity under ASX Listing Rule 7.1A

The Additional 10% Placement Capacity is in addition to the Company's usual annual 15% placement capacity under ASX Listing Rule 7.1 (described above).

As at the date of the Notice of Meeting, the Company has 497,191,581 Shares on issue and, therefore, in addition to any other Shares and other Equity Securities which it can issue under ASX Listing Rule 7.1 or the permitted exceptions to ASX Listing Rules 7.1 and 7.1A, it will have capacity to issue, subject to Shareholders approving Resolutions 3 and 4, 49,719,158 Shares under ASX Listing Rule 7.1A, without requiring further Shareholder approval.

The actual number of Shares that the Company will have capacity to issue or agree to issue under ASX Listing Rule 7.1A or ASX Listing Rule 7.1 at any particular point in time will be calculated at the relevant time in accordance with the ASX Listing Rule 7.1A.2 Formula (outlined above) or the formula applicable to ASX Listing Rule 7.1 (as the case may be).

3. Period of Approval

Shareholder approval of the Additional 10% Placement Capacity is valid from, and therefore Equity Securities may be issued under the Additional 10% Placement Capacity from, the date of the Meeting until the first to occur of the following:

- (1) the date that is 12 months after the date of the Meeting at which the approval is obtained; and
- (2) the date of the approval by Shareholders of a transaction under ASX Listing Rule 11.1.2 (Proposed change to nature or scale of activities) or ASX Listing Rule 11.2 (Change involving main undertaking),

(the **Period of Approval**).

Upon the expiry of the Period of Approval, unless the Company has before the end of the Period of Approval obtained a further approval under ASX Listing Rule 7.1A.1, its placement capacity will be governed by ASX Listing Rule 7.1 (and ASX Listing Rule 10.11, in the case of placements to related parties).

Any approval under Resolution 4 will cease to be valid if Shareholders approve a transaction under ASX Listing Rule 11.1.2 or 11.2 referred to above.

4. Minimum Issue Price

Under ASX Listing Rule 7.1A.3, the minimum price at which each Equity Security may be issued under the Additional 10% Placement Capacity is 75% of the VWAP for securities in that class calculated over the 15 trading days on which trades were recorded immediately before:

- (1) the date on which the price at which the securities are to be issued is agreed; or
- (2) if the securities are not issued within 5 trading days of that date, the date on which the securities are issued.

If the Company issues any Equity Securities under ASX Listing Rule 7.1A for non-cash consideration, it must provide to ASX for release to the market a valuation of the non-cash consideration that demonstrates that the issue price of those Equity Securities complies with the minimum issue price outlined above.

5. Purpose and allocation

As at the date of the Notice of Meeting, the Company does not have any specific intention to use the Additional 10% Placement Capacity nor has it invited any Shareholder to participate or consider participating in an issue of Equity Securities under the Additional 10% Placement Capacity.

The Company is seeking approval to take advantage of the ASX's recognition that flexibility is sometimes required if action needs to be taken swiftly. The Additional 10% Placement Capacity may be used to raise funds to support the Company's ongoing business and general working capital purposes or for the acquisition of assets or investment in business opportunities which may arise from time to time.

Ultimately, if Resolution 4 is approved, the Company's allocation policy for issues of Equity Securities under the Additional 10% Placement Capacity will be dependent on various considerations including the purpose of the proposed issue, the alternative methods for raising funds which are available to the Company at the time, the effect of the proposed issue on the control of the Company, the circumstances of the Company including its financial position, the prevailing market conditions at the time of the proposed issue and any advice received from corporate, financial or other advisers (as applicable). The identity of the placees will be determined on a case-by-case basis at or around the time of issue. However, the placees of any Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company. Placees may also include vendors of assets or businesses into the Company or its subsidiaries. It is unlikely that such a placee will be a person to whom the Company is required to issue a prospectus or other disclosure document under the Corporations Act.

The Company may issue Equity Securities under the Additional 10% Placement Capacity for cash consideration or non-cash consideration. If the Company issues any Equity Securities under the Additional 10% Placement Capacity for non-cash consideration (for example, where the Company acquires assets from a vendor or makes an investment in a business), it must provide to ASX for release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with the minimum issue price under ASX Listing Rule 7.1A.3 (outlined above).

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon the issue of any Equity Securities under the Additional 10% Placement Capacity.

6. Risk of Economic and Voting Dilution

Any issue of Equity Securities under the Additional 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Equity Securities under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the Additional 10% Placement Capacity, the economic and voting dilution of existing Shareholders through the Company using the Additional 10% Placement Capacity is as illustrated in the table below. The table below has been prepared based on the number of quoted Equity Securities (i.e. Shares) on issue in the Company as at the date of the Notice of Meeting and the closing price of those securities as at close of trade on ASX on 26th September 2018.

The table below also shows the voting dilutionary impact where the number of Shares on issue (variable A in the ASX Listing Rule 7.1A.2 Formula) changes and the economic dilutionary impact where there are changes to the issue price of Shares issued under the Additional 10% Placement Capacity.

Number of Shares on Issue (variable "A" in Listing Rule 7.1A.2)*	Dilution			
	Dilution based on number of Shares issued (being 10% of the number of Shares at the time of issue)	Funds raised based on an issue price of \$0.215 (50% decrease in current issue price)	Funds raised based on an issue price of \$0.430 (Current issue price)	Funds raised based on an issue price of \$0.645 (50% increase in current issue price)
497,191,581 (Current)	49,719,158	\$10,689,619	\$21,379,238	\$32,068,857
745,787,372 (50% increase)	74,578,737	\$16,034,428	\$32,068,857	\$48,103,285
994,383,162 (100% increase)	99,438,316	\$21,379,238	\$42,758,476	\$64,137,714

*The number of Shares on issue could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or securities issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1.

The table above uses the following assumptions:

1. The current Shares on issue are the Shares on issue as at the date of the Notice of Meeting.
2. The current issue price set out above is the closing price of the Shares on ASX on 26th September 2018.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the date of the Annual General Meeting other than issues under an exception in ASX Listing Rule 7.2 or with Shareholder approval under ASX Listing Rule 7.1 or 7.4.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own Shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to issues under ASX Listing Rule 7.1 or exceptions to that ASX Listing Rule.
7. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
8. The issue of Equity Securities under the Additional 10% Placement Capacity consists only of Shares. Based on its current issued securities, only Shares can be issued by the Company under the Additional 10% Placement Capacity.

Shareholders should note that there is a risk that:

- (1) the market price for the Company's Equity Securities may be significantly lower on the issue date than on the date of the Meeting; and
- (2) the Company's Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.

Recommendation

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

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 2018 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 Environmental Technologies 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. **Eligible Entity** means an entity that at the date of the relevant special resolution under rule 7.1A:
 - (a) is not included in the S&P/ASX 300 Index; and
 - (b) has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) equal to or less than the prescribed amount. The prescribed amount is currently \$300 million.
12. **Equity Securities** has the meaning given in the ASX Listing Rules and includes a share, an option over an issued or unissued security, a right to a share or option, a convertible security and any security that ASX decides to classify as an Equity Security.
13. **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.
14. **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).
15. **Meeting** or **Annual General Meeting** means the annual general meeting of the Company convened by the Notice of Meeting.
16. **Notice of Meeting** means the Notice of Annual General Meeting dated 8 October 2018 accompanying this Explanatory Memorandum.
17. **Proxy Form** means the proxy form accompanying this Explanatory Memorandum.
18. **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 2018.
19. **Resolution** means a resolution including a special resolution set out in the Notice of Meeting.
20. **Shareholder** means a person or entity entered in the Company's register of members from time to time as the holder of Shares.
21. **Shares** means fully paid ordinary shares in the capital of the Company quoted on the ASX under the code "PET".
22. **VWAP** means the weighted average market price (as defined in the ASX Listing Rules).

All references to time in the Notice of Meeting or this Explanatory Memorandum 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.

Phoslock Environmental Technologies Ltd and its Controlled Entities

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