



Phoslock Water Solutions Ltd.

# SHARE PURCHASE PLAN

May 2016



Suite 403  
25 Lime Street  
Sydney NSW 2000 Australia

Phone: 02 8014 7611  
Website: [www.phoslock.com.au](http://www.phoslock.com.au)  
Email: [enquiries@phoslock.com.au](mailto:enquiries@phoslock.com.au)



**13 May, 2016**

Dear Shareholder,

### **2016 Share Purchase Plan Terms and Conditions**

On behalf of the Board, I am pleased to provide eligible shareholders with the opportunity to participate in an offer (**Offer**) to purchase new fully paid ordinary shares (**New Shares**) in Phoslock Water Solutions Limited (**Phoslock** or the **Company**) under the 2016 Phoslock Share Purchase Plan (**SPP**).

The value of New Shares an eligible shareholder can subscribe for is restricted to a maximum total of \$15,000. The issue price for each New Share is \$0.07 (7 cents) (**Offer Price**).

The Terms and Conditions of the SPP and your Application Form are enclosed with this letter. You should read this information in its entirety before deciding whether to participate in the SPP.

The SPP is not underwritten. The net proceeds from the SPP and the capital raising announced to ASX on 4 May, 2016 will be used to expand sale and marketing coverage and technical support, predominantly in China, increase working capital including growing inventories and substantially reduce Phoslock's liabilities.

### **Eligibility**

Participation in the SPP is optional and open to eligible shareholders, being holders of fully paid ordinary shares in Phoslock at 7.00 pm (Sydney time), 3 May, 2016 and whose address on the share register is in Australia or New Zealand. Please refer to sections 3 and 4 of the enclosed SPP Terms and Conditions for further information, if you are not a shareholder whose address is in Australia or New Zealand.

Your right to participate in the SPP is not transferrable.

### **How to apply**

The SPP opens on 16 May, 2016 and closes at 5.00 pm (Sydney time), 1 June, 2016, unless varied.

To apply for New Shares you may either:

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

You may apply for a parcel of New Shares up to a maximum value of \$15,000 (subject to any scale back). Payment for New Shares must be received by no later than 5.00 pm (Sydney time) on 1 June, 2016.

#### **Further information**

Each Director of Phoslock, along with senior executives of Phoslock, have advised that they will participate in the SPP.

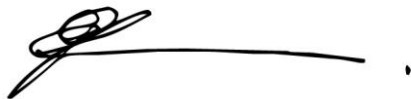
#### **Queries**

If you have any questions in relation to how to participate in the SPP, please contact Robert Schuitema, Managing Director and Company Secretary on 02 8014 7611 or 0412 305 442.

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

Thank you for your continued support in Phoslock.

Yours sincerely,

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

**Laurence Freedman AM**

Chairman

# Phoslock Water Solutions Limited

## 2016 Share Purchase Plan

### Terms and Conditions

#### 1 Background

- 1.1 On 4 May 2016, the Company announced that it had approved the SPP entitling Eligible Shareholders to purchase up to \$15,000 worth of New Shares at an issue price of \$0.07 (7 cents) per share.
- 1.2 For current information on the Company, shareholders are referred to the 2015 Annual Report, the Half Year Report for the period ended 31 December, 2015 and to recent announcements to ASX. These documents can be found on the Company's website at [www.phoslock.com.au](http://www.phoslock.com.au).

#### 2 SPP Key Dates

Key dates for the SPP are as follows:

Record Date	7.00 pm, 3 May, 2016
Offer opens	16 May, 2016
Closing Date	5.00 pm, Wednesday, 1 June, 2016
Allotment of New Shares	8 June, 2016
Trading of New Shares expected to commence on ASX	9 June, 2016
Holding statements expected to be dispatched to shareholders	13 June, 2016

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

#### 3 Who is eligible to apply?

- 3.1 A person will be eligible to participate in the Offer (an **Eligible Shareholder**) if:
- (1) the person was a registered holder of Shares at 7:00 pm on 3 May 2016 (**Record Date**); and
  - (2) the person's registered address is in Australia or New Zealand,

as follows:

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

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

## 4 Restrictions in United States and other Jurisdictions

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

the United States or who are, or are acting for the account or benefit of, US Persons. Failure to comply with these restrictions may result in violations of applicable securities laws.

## **5 Participation is optional**

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

## **6 Non-Renounceable Offer**

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

## **7 Use of funds and effect of the Offer**

- 7.1 Funds raised through this Offer will be used to provide working capital for the Company as described in the Chair's letter accompanying these Terms and Conditions.
- 7.2 The effect of the Offer will be to increase:
  - (1) the number of Shares on issue from 288.9 million to 313.9 million (assuming the Offer is fully subscribed); and
  - (2) the cash held by the Company (assuming the Offer is fully subscribed) from approximately \$1,000,000 to approximately \$2,700,000.

The above number of Shares ignores any Shares or cash resulting from any issue of Shares approved by Shareholders at the general meeting of the Company announced to ASX on 4 May, 2016 scheduled to be held in mid-June, 2016.

- 7.3 The Offer is not underwritten.

## **8 Offer Price**

- 8.1 The Offer Price for each New Share under the SPP is \$0.07 (7 cents).
- 8.2 The Offer Price represents a 20% discount to the volume-weighted average market price of Shares traded in the ordinary course on the ASX for the last 5 days which Shares were traded prior to the day on which the SPP was announced on 4 May, 2016.
- 8.3 Eligible Shareholders should note that the market price of Shares may rise and fall between the date of this Offer and the date when New Shares are allotted under the SPP. Accordingly, the price that Eligible Shareholders pay per New Share pursuant to this Offer may be either higher or lower than the market price of Shares at the time of this Offer or at the time the New Shares are allotted to it under this SPP.

- 8.4 The Company recommends that Eligible Shareholders monitor the price of Shares, which can be found in the financial pages of major Australian metropolitan newspapers, or on the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX code: PHK).

## **9 Ranking of New Shares**

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

## **10 Applications may be scaled back**

- 10.1 The board of directors of the Company (**Board**) has resolved to cap the total number of New Shares that may be issued under the SPP to 25 million New Shares. The Board reserves the right, in its sole discretion, to increase this cap. Any increase in the cap will be announced to ASX. If Applications are received under the SPP in excess of the cap set by the Board, Applications will be scaled back to the extent and in the manner that the Board sees fit, including by taking into account the times and dates on which Applications from Eligible Shareholders are received by the Company (on a “first-come-first served” basis).
- 10.2 If Applications are scaled back, an Eligible Shareholder may not receive the full parcel of New Shares for which it has applied. If a scale back produces a fractional number when applied to an Eligible Shareholder’s parcel, the number of New Shares an Eligible Shareholder will be allotted under the SPP will be rounded up to the nearest whole number of New Shares.
- 10.3 In the event of a scale back, the difference between the value of the New Shares allotted to an Eligible Shareholder (calculated at the Offer Price for the New Shares) and the Application Monies received from that Eligible Shareholder will be refunded by the Company, without interest, following allotment.

## **11 What costs are payable?**

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

## **12 Maximum Subscription Amount (\$15,000)**

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

## **13 Certification**

- 13.1 Subject to section 3.1(2)(c) above, by submitting an Application Form or otherwise paying the Application Monies to the Company, each Eligible Shareholder certifies that the aggregate of the Application Monies paid by it for:
- (1) the New Shares, the subject of such Application Form or Application Monies;
  - (2) any other New Shares under the SPP or any Shares under an arrangement similar to the SPP in the 12 months before the date of its Application under the SPP;
  - (3) any other New Shares which it has instructed a Custodian to acquire on its behalf under the SPP; and
  - (4) any other Shares issued to a Custodian in the 12 months before the date of its Application for New Shares under the SPP as a result of an instruction to apply for Shares on its behalf under an arrangement similar to the SPP given by it to a Custodian or a Downstream Custodian,
- does not exceed \$15,000.
- 13.2 If an Eligible Shareholder submits an Application Form or otherwise pays Application Monies to the Company as a Custodian, it will be deemed to have represented that:
- (1) it is a Custodian; and
  - (2) it has provided a Custodian Certificate to the Company.
- 13.3 The \$15,000 limit applies irrespective of the number of Shares that an Eligible Shareholder holds on the Record Date. The Company reserves the right, and in certain circumstances may be required under ASIC Class Order [CO 09/425], to reject an Application for New Shares under the SPP to the extent it considers, or is reasonably satisfied, that the Application (whether alone or in conjunction with other applications) does not comply with these requirements.

## **14 Calculation of the number of New Shares**

- 14.1 In the absence of scale back, the number of New Shares to be issued to an Eligible Shareholder under the SPP will be calculated by dividing the Application Monies received by the Company by the Offer Price for the New Shares. Any fractions will be rounded up to the nearest whole number.
- 14.2 For example, in the absence of scale back, if an Eligible Shareholder applies for \$15,000 of New Shares at the Offer Price that Eligible Shareholder will be allotted 214,286 New Shares.

## **15 How to apply for New Shares**

- 15.1 The SPP opens on 16 May 2016. An Eligible Shareholder may apply for New Shares by:
- (1) duly completing the accompanying Application Form and returning it to:

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



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

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

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

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

It is the responsibility of each Eligible Shareholder to ensure that funds submitted through BPAY<sup>®</sup> are received by 5.00 pm on the Closing Date.

- 15.2 While the Company may, but is not obliged to, accept Applications received after the Closing Date, it reserves the right to return any payment and not issue any New Shares in respect of Applications received after that time.
- 15.3 Applications may not be withdrawn once they have been received by the Company. No interest will be payable on Application Monies held or returned by the Company.
- 15.4 Applications may only be made for parcels of New Shares in amounts between \$1,000 and \$15,000 in \$500 increments as set out in the accompanying Application Form. If the amount of the cheque, bank draft or money order tendered with the Application Form or paid via BPAY<sup>®</sup> is:
  - (1) less than \$1,000, the Company will not allot any New Shares to the Eligible Shareholder and will refund the Application Monies without interest;
  - (2) greater than \$15,000, subject to scale back, the Company will allot the maximum number of New Shares and will refund excess Application Monies without interest; or
  - (3) for amounts between \$1,000 and \$15,000 that is not an integral multiple of \$500, subject to scale back, the Company will allot the number of New Shares that would have been allotted had the Application been for the highest integral multiple of \$500 less than the amount of the cheque, bank draft, money order or BPAY<sup>®</sup> payment, and will refund the excess Application Monies without interest. For example, in the absence of scale back, if an Eligible Shareholder applies for \$2,200 of New Shares, it will be treated as an Application for \$2,000 of New Shares.
- 15.5 Please read the accompanying Application Form for further details of how to apply for New Shares under the SPP.

## **16 Class Order [CO 09/425] Compliance**

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

## **17 Binding Terms**

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

## **18 New Share Allotment and Quotation Dates**

- 18.1 New Shares are expected to be allotted under the SPP on 8 June, 2016 and the Company will apply for those New Shares to be listed for quotation on ASX.
- 18.2 Trading in New Shares issued under the SPP is expected to commence on 9 June, 2016. Eligible Shareholders should confirm their holding before trading in any New Shares that they believe have been allotted to them under the SPP.
- 18.3 The Company reserves the right to vary any of these dates without notifying Eligible Shareholders. Any variation will be notified to ASX.

## **19 Withdrawal, Suspension, Termination, Anomalies and Disputes**

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

## **20 Governing Law**

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

## 21 Definitions

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

<b>\$</b>	Australian dollars
<b>Application</b>	A valid application for New Shares in accordance with section 15.1 above
<b>Application Form</b>	The application form accompanying these Terms and Conditions
<b>Application Monies</b>	Monies paid by Eligible Shareholders in respect of New Shares they apply for
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited ABN 98 008 624 691, or the market operated by it (as the context requires)
<b>Closing Date</b>	1 June, 2016, unless varied
<b>Company or Phoslock</b>	Phoslock Water Solutions Limited ABN 88 099 555 290
<b>Constitution</b>	The constitution of the Company as amended from time to time
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Custodian</b>	Has the meaning ascribed to it in paragraph 14(a) of ASIC Class Order [CO 09/425]
<b>Custodian Certificate</b>	The certificate to be provided by custodians as contemplated by ASIC Class Order [CO 09/425]
<b>Downstream Custodian</b>	Has the meaning ascribed to it in paragraph 9(a)(ii) of ASIC Class Order [CO 09/425]
<b>Eligible Shareholder</b>	A person who meets the requirements set out in section 3 above
<b>Listing Rules</b>	The ASX Listing Rules as amended or waived from time to time
<b>New Share</b>	A Share to be issued pursuant to the Offer
<b>Offer</b>	The offer of New Shares under these Terms and Conditions and the Application Form
<b>Record Date</b>	7:00 pm on 3 May 2016
<b>Securities Act</b>	Securities Act of 1933 (USA)
<b>Share</b>	A fully paid ordinary share in the Company

<b>United States</b>	Has the meaning given to that term in Regulation S under the Securities Act
<b>US Person</b>	Has the meaning given to that term in Regulation S under the Securities Act
All references to time are to time in Sydney, Australia	