

Notice of Extraordinary General Meeting and Explanatory Memorandum

Emefcy Group Limited
ACN 127 734 196

Notice is given that an extraordinary general meeting (**Meeting**) of the Company will be held at:

Date: 12 July 2017
Time: 11:00 am
Location: Hall & Wilcox
Level 11, Rialto South Tower
525 Collins Street
Melbourne, Victoria

The Company proposes to acquire all of the limited liability company interests in RWL Water LLC, a global provider of water, wastewater and reuse solutions from RSL Investments Corporation. The acquisition will be funded by the issue of Emefcy Shares. Subject to completion of the acquisition of RWL Water LLC, the Company also proposes to issue to RSL Investments Corporation Emefcy Shares at the issue price of A\$0.85 to raise US\$20,000,000.

The Independent Expert has prepared an Independent Expert's Report in relation to the issue of Emefcy Shares to RSL Investments Corporation and has concluded that, in the absence of a superior offer, the Proposed Transactions are fair and reasonable to non-associated Shareholders. Refer to Annexure A for further information.

Important notices

This Notice of Meeting and Explanatory Memorandum is issued by Emefcy Group Limited ACN 127 734 196 (**Company** or **Emefcy**).

Purpose of this document

This document is important. It contains information for Shareholders relating to the issue of Shares in the Company. This Notice of Meeting and Explanatory Memorandum provides Shareholders with information to assist them in deciding how to vote on the Resolutions to be considered at the Meeting. This Notice of Meeting and Explanatory Memorandum does not take into account the individual investment objectives, financial situation and particular needs of Shareholders or any other person. Accordingly, this Notice of Meeting and Explanatory Memorandum should not be relied upon as the sole basis for any decision in relation to your vote at the Meeting.

This Notice of Meeting and Explanatory Memorandum has been prepared in accordance with item 7, section 611 of the Corporations Act 2001 (Cth) (**Corporations Act**) which require Shareholder approval of the issue of Shares to the Seller. Further, ASIC Regulatory Guide 74 (**RG 74**) and ASIC Regulatory Guide 111 (**RG 111**) set out certain disclosure requirements which have been addressed in this document. This includes the requirement to provide an Independent Expert's Report prepared in accordance with RG 111 assessing the fairness and reasonableness of the Proposed Transactions. The Independent Expert's Report is attached to the Explanatory Memorandum and should be read in conjunction with this Notice of Meeting and the rest of the Explanatory Memorandum.

You should read this Notice of Meeting and Explanatory Memorandum in its entirety before making a decision as to how to vote at the Meeting. If you have any doubt as to what you should do once you have read this Notice of Meeting and Explanatory Memorandum, you should consult your legal, financial or other professional adviser.

ASIC and ASX involvement

A copy of the Notice of Meeting and Explanatory Memorandum has been lodged with ASIC pursuant to the applicable regulatory guides and with ASX pursuant to the Listing Rules. Neither ASIC, ASX nor any of their officers take any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

Disclaimers as to forward looking statements

Some of the statements appearing in this Notice of Meeting and Explanatory Memorandum (including the Independent Expert's Report) may be in the nature of forward looking statements. You should be aware that such statements are not based on historical facts, but rather reflect the current views of the Company or, in relation to the RWL Information, the Seller, held only as of the date of this Notice of Meeting and Explanatory Memorandum concerning future results and events and are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include

factors and risks specific to the industries and countries in which the Company or RWL Water Group operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

Some of the risks that Shareholders may be exposed to if the Proposed Transactions are completed are set out in the Explanatory Memorandum. None of the Company, the Seller, their respective officers or employees, any persons named in this Notice of Meeting and Explanatory Memorandum with their consent or any person involved in the preparation of this Notice of Meeting and Explanatory Memorandum, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. The forward looking statements included in this Notice of Meeting and Explanatory Memorandum are made only as of the date of this Notice of Meeting and Explanatory Memorandum. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Notice of Meeting and Explanatory Memorandum reflect views held only as at the date of this Notice of Meeting and Explanatory Memorandum.

Disclaimer as to information

No person is authorised to give any information or make any representation in connection with the Proposed Transactions which is not contained in this Notice of Meeting and Explanatory Memorandum. Any information or representation not contained in this Notice of Meeting and Explanatory Memorandum may not be relied on as having been authorised by the Company or the Directors in connection with the Proposed Transactions.

Responsibility for information

Emefcy has prepared, and is responsible for, the Emefcy Information. Neither the Seller nor RWL Water Group (and each of their respective directors, officers and advisers (as applicable)) assumes any responsibility for the accuracy or completeness of any of the Emefcy Information.

The Seller has prepared, and is responsible for, the RWL Information. Emefcy (and each of its respective Directors, officers and advisers (as applicable)) does not assume any responsibility for the accuracy or completeness of any of the RWL Information.

The Independent Expert has prepared the Independent Expert's Report and takes responsibility for that report and has consented to the inclusion of that report in this Notice of Meeting and Explanatory Memorandum.

Emefcy does not assume any responsibility for the accuracy or completeness of the Independent Expert's Report nor do its Directors, officers and advisers.

Privacy

The Company has collected your information from the Share Registry for the purpose of providing you with this Notice of Meeting and Explanatory Memorandum. The type of information the Company has collected about you includes your name, contact details and information on your shareholding in the Company. Without this information, the Company would be hindered in its ability to issue this Notice of Meeting and Explanatory Memorandum. The Corporations Act requires the name and address of Shareholders to be held in a public register.

Your information may be disclosed on a confidential basis to the Company's Related Bodies Corporate and external service providers (such as the Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by the Company, please contact the Share Registry at Boardroom Pty Limited via the details found on the contact page at www.boardroomlimited.com.au.

The registered address of the Company is Suite 1, 1233 High Street Armadale, Victoria, 3143.

Definitions

Certain terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum have defined meanings which are explained in the Glossary.

Enquiries

If you have any questions please call the Company Secretary on + 61 (0)3 9824 5254 at any time between 8.00am and 5.00pm (Australian Eastern Standard Time) Monday to Friday until the date of the Meeting.

Date

This Notice of Meeting and Explanatory Memorandum is dated Thursday, 8 June 2017.

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EMEFCY GROUP LIMITED

ACN 127 734 196

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an extraordinary general meeting of Shareholders of Emefcy Group Limited ACN 127 734 196 (**Company or Emefcy**) will be held at the time and location and to conduct the business specified below (**Notice of Meeting**).

Date: 12 July 2017

Time: 11:00 am

Location: Hall & Wilcox
Level 11, Rialto South Tower
525 Collins Street
Melbourne, Victoria 3000

At the Meeting Shareholders are asked, among other matters, to consider the acquisition of the limited liability company interests in RWL Water LLC from RSL Investments Corporation in consideration for the issuance of the Consideration Shares and also the issuance of Placement Shares to RSL Investments Corporation (or its Related Bodies Corporate) to raise US\$20,000,000.

To assist Shareholders with their decision on whether to approve the proposed acquisition and capital raising and other matters, the Explanatory Memorandum and Independent Expert's Report accompany, and form a part of, this Notice of Meeting.

Terms used in this Notice of Meeting will, unless the context requires otherwise, have the meaning given to them in the Glossary of defined terms in section 9 of the Explanatory Memorandum.

BUSINESS

The business of the Meeting shall be as follows:

1. RESOLUTION 1: APPROVAL FOR THE ISSUE OF CONSIDERATION SHARES

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

"That, subject to Resolutions 2 and 7 being passed and for the purposes of section 611, item 7 of the Corporations Act and for all other purposes, approval is given for the issue of 100,500,000 Shares to RSL Investments Corporation or its Related Bodies Corporate as consideration for the Company's acquisition of all of the limited liability company interests in RWL Water LLC on the terms and conditions set out in the Sale and Purchase Agreement."

Voting exclusion statement on Resolution 1: The Company will disregard any votes cast on this Resolution by RSL Investments Corporation and any Associates of RSL Investments Corporation. However, the Company need not disregard a vote 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.

2. RESOLUTION 2: APPROVAL FOR THE ISSUE OF PLACEMENT SHARES

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

“That, subject to Resolutions 1 and 7 being passed and for the purposes of section 611, item 7 of the Corporations Act and for all other purposes, approval is given for the issue of the number of Shares equal to (X) US\$20,000,000 converted into Australian dollars at the US-AU dollar exchange rate published by the Reserve Bank of Australia as at 10.00 a.m. (AEST) on the date of completion of the acquisition of RWL Water LLC under the Sale and Purchase Agreement, divided by (Y) A\$0.85 (rounded to the nearest whole Share), for the issue price of A\$0.85 per Share to RSL Investments Corporation or its Related Bodies Corporate under a private placement on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement on Resolution 2: The Company will disregard any votes cast on this Resolution by RSL Investments Corporation and any Associates of RSL Investments Corporation. However, the Company need not disregard a vote 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.

3. RESOLUTION 3: APPOINTMENT OF DR RENGARAJAN RAMESH AS A DIRECTOR AND ISSUE OF OPTIONS

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

- (a) *“That subject to Resolutions 1, 2 and 7 being passed and in accordance with clause 4.2(b) of the Company's constitution, Dr Rengarajan Ramesh be appointed a director of the Company after receiving any applicable consent required from that person.”*
- (b) *“That subject to Resolutions 1, 2 and 7 being passed, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 1,500,000 Options to Dr Rengarajan Ramesh to subscribe for Shares on the terms and conditions set out in the Explanatory Memorandum.”*

Voting exclusion statement on Resolution 3(a) and 3(b): The Company will disregard any votes cast on this Resolution by Dr Rengarajan Ramesh and any of his Associates. However, the Company need not disregard a vote 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.

4. RESOLUTION 4: APPROVAL TO AMEND A MATERIAL TERM OF THE EMPLOYEE SHARE OPTION PLAN

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

“That subject to Resolutions 1, 2 and 7 being passed and for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes, Shareholders approve and authorise the Directors to increase the number of the Options able to be issued under the ESOP from 5% of the then current number of Shares on issue to 6% of the then current number of Shares on issue”.

Voting exclusion statement on Resolution 4: The Company will disregard votes cast as a proxy by a Director (except one who is ineligible to participate in any employee incentive scheme) and a member of the Company's key management personnel (KMP) or any of their Closely Related Parties. However, the Company need not disregard a vote 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 Chairman of the Meeting as a proxy for a person who is entitled to vote and the appointment of the Chairman as proxy does not specify the way the proxy is to vote and expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

5. RESOLUTION 5: APPROVAL OF INCREASE IN THE MAXIMUM AGGREGATE REMUNERATION FOR NON-EXECUTIVE DIRECTORS

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

“That, subject to Resolutions 1, 2 and 7 being passed, for the purpose of Listing Rule 10.17 and in accordance with clause 4.6(b) of the Company's constitution, approval is given for the increase in the maximum aggregate remuneration for non-executive directors from \$500,000 to \$1,000,000 per annum.”

Voting exclusion statement on Resolution 5: The Company will disregard any votes cast on this Resolution by a Director and an Associate of the Director. The Company will also disregard votes cast as a proxy by a member of the Company's KMP or any of their Closely Related Parties. However, the Company need not disregard a vote 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 Chairman of the Meeting as a proxy for a person who is entitled to vote and the appointment of the Chairman as proxy does not specify the way the proxy is to vote and expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

6. RESOLUTION 6: APPROVAL OF ISSUE OF OPTIONS TO DIRECTORS

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

- (a) *“That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 2,000,000 Options to Mr Richard Irving, Executive Chairman, to subscribe for Shares on the terms and conditions set out in the Explanatory Memorandum.”*
- (b) *“That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 1,500,000 Options to Mr Ross Haghighat, Non-Executive Director, to subscribe for Shares on the terms and conditions set out in the Explanatory Memorandum.”*
- (c) *“That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 1,500,000 Options to Mr Peter Marks, Non-Executive Director, to subscribe for Shares on the terms and conditions set out in the Explanatory Memorandum.”*
- (d) *“That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 1,500,000 Options to Mr Robert Wale, Non-Executive Director, to subscribe for Shares on the terms and conditions set out in the Explanatory Memorandum.”*
- (e) *“That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 1,000,000 Options to Mr Eytan Levy, Executive Director, to subscribe for Shares on the terms and conditions set out in the Explanatory Memorandum.”*

Voting exclusion statement on Resolutions 6(a), 6(b), 6(c) 6(d) and 6(e): The Company will disregard any votes cast on this Resolution by a person who is to receive securities in relation to the Company and an Associate of that person (or those persons). The Company will also disregard votes cast as a proxy by a member of the Company's KMP or any of their Closely Related Parties. However, the Company need not disregard a vote 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 Chairman of the Meeting as a proxy for a person who is entitled to vote and the appointment of the Chairman as proxy does not specify the way the proxy is to vote and expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

7. RESOLUTION 7: APPROVAL OF THE ACQUISITION OF A RELEVANT INTEREST BY THE COMPANY

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

“That, subject to Resolutions 1 and 2 being passed and for the purposes of section 611, item 7 of the Corporations Act and for all other purposes, Shareholders approve the acquisition by the Company of a Relevant Interest in the 100,500,000 Consideration Shares to be issued to the Seller or its Related

Bodies Corporate acquired as a result of the escrow restrictions described in sections 3.1 and 5.1(c) of the Explanatory Memorandum."

Voting exclusion statement on Resolution 7: The Company will disregard any votes cast on this Resolution by any Associates of the Company. However, the Company need not disregard a vote 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.

8. RESOLUTION 8: APPROVAL OF POTENTIAL TERMINATION BENEFITS

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

- (a) *"That, subject to Resolutions 1, 2 and 7 being passed and for the purposes of sections 200B and 200E of the Corporations Act, Listing Rule 10.19 and for all other purposes, approval is given for the giving of benefits by the Company or any of its Related Bodies Corporate to Mr Henry J. Charrabé (proposed Managing Director and Chief Executive Officer of the Merged Group), in connection with Mr Charrabé ceasing to be a director or ceasing to hold a managerial or executive office in the Company or a Related Body Corporate, as set out in the Explanatory Memorandum."*
- (b) *"That, subject to Resolutions 1, 2 and 7 being passed and for the purposes of sections 200B and 200E of the Corporations Act, Listing Rule 10.19 and for all other purposes, approval is given for the giving of benefits by the Company or any of its Related Bodies Corporate to Astaris SAS in connection with Astaris SAS ceasing to provide the services of Mr Philippe Laval (proposed Chief Operating Officer of the Merged Group) which results in his ceasing to hold a managerial or executive office in the Company or a Related Body Corporate, as set out in the Explanatory Memorandum."*

Voting exclusion statement on Resolutions 8(a) and 8(b): The Company will disregard any votes cast on this Resolution by an officer of the Company or any of its child entities who is entitled to participate in a termination benefit. The Company will also disregard votes cast as a proxy by a member of the Company's KMP or any of their Closely Related Parties. However, the Company need not disregard a vote 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 Chairman of the Meeting as a proxy for a person who is entitled to vote and the appointment of the Chairman as proxy does not specify the way the proxy is to vote and expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

9. RESOLUTION 9: PREVIOUS ISSUE OF OPTIONS TO MR HENRY J CHARRABÉ

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

"That subject to Resolutions 1, 2 and 7 being passed and for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the previous issue, in reliance on Listing Rule 7.1, of a total of 11,191,336 Options on 31 May 2017 to Mr Henry J Charrabé (proposed Managing Director and Chief Executive Officer of the Merged Group) to subscribe for Shares on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting exclusion statement on Resolution 9: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and an Associate of that person (or those persons). However, the Company need not disregard a vote 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.

10. RESOLUTION 10: CHANGE OF COMPANY NAME

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

"That, subject to Resolutions 1, 2 and 7 being passed, for the purpose of section 157(1) of the Corporations Act and for all other purposes, the Company's name be changed from Emefcy Group Limited to Fluence Corporation Limited and that, for the purposes of section 136(2) of the Corporations

Act and for all other purposes, all references to Emefcy Group Limited in the Company's constitution be replaced with references to Fluence Corporation Limited."

Dated 8 June 2017

By Order of the Board

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

Richard Irving
Executive Chairman

IMPORTANT INFORMATION

Accompanying Explanatory Memorandum

The accompanying Explanatory Memorandum forms part of this Notice of Meeting and should be read in conjunction with it.

Voting Entitlements

For the purposes of the Meeting, the Directors have determined that pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), Shares will be taken to be held by the persons who are the registered holders at 11.00 am (AEST) on 10 July 2017. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

On a poll, Shareholders have one vote for every Share held. Holders of options are not entitled to vote.

Voting in person

To vote in person at the Meeting, you must attend the meeting to be held at 12 July 2017.

Voting by proxy

A Shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on behalf of that Shareholder. A proxy need not be a Shareholder. A Shareholder can appoint an individual or a body corporate as its proxy. If a body corporate is appointed as a proxy, it must ensure that it appoints a corporate representative as required by the *Corporations Act 2001* (Cth) to exercise its powers as proxy at the Meeting.

A Shareholder who is entitled to cast two or more votes may appoint up to two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointments do not specify the proportion or number of votes that each proxy may exercise, each proxy may exercise half the votes (disregarding fractions).

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on the Resolution by marking either "For", "Against" or "Abstain" on the Proxy Form for that item of business.

Completed Proxy Forms (and the power of attorney or other authority, if any, under which

the Proxy Form is signed) must be received by the Company's share registry, Boardroom Pty Limited, no less than 48 hours before the time of commencement of the Meeting by the means outlined below.

The Proxy Form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a body corporate, in accordance with section 127 of the Corporations Act. A proxy given by a foreign body corporate must be executed in accordance with the laws of that body corporate's place of incorporation.

The proxy may, but need not, be a Shareholder of the Company.

If you sign the Proxy Form and do not appoint a proxy, you will have appointed the Chairman of the Meeting as your proxy.

Completed Proxy Forms may be lodged using the enclosed reply paid envelope or:

Online	www.votingonline.com.au/emefcyagm2017
By Fax	+61 2 9290 9655
By Mail	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001 Australia
In Person	Level 12, 225 George Street, Sydney NSW 2000 Australia

Completed Proxy Forms (and any necessary supporting documents) must be received by Boardroom Pty Limited no later than 11am (AEST) on Monday, 10 July 2017. Proxy Forms received after that time will not be valid.

Further instructions on completing and lodging the Proxy Form are set out in the attached Proxy Form.

Undirected proxies

Subject to any restrictions set out in this Notice or the Proxy Form, the Chairman of the meeting intends to vote all undirected proxies in favour of all resolutions.

If you appoint the Chairman of the Meeting (or the Chairman is taken to be appointed) as your proxy and you do not direct the Chairman how to vote on a resolution, then by completing and returning the Proxy Form, you expressly authorise the Chairman to exercise the proxy even though a

resolution is connected directly or indirectly with the remuneration of a member of the Company's key management personnel and to vote in accordance with his stated intention to vote in favour of all resolutions.

If you have appointed the Chairman of the Meeting (or the Chairman is taken to be appointed) as your proxy and you direct the Chairman how to vote on a resolution by marking either "for", "against" or "abstain" for a resolution, then your vote will be cast in accordance with your direction.

Corporate representatives

A Shareholder, or proxy, that is a body corporate and entitled to attend and vote at the Meeting may appoint an individual to act as its corporate representative. Evidence of the appointment of a corporate representative must be in accordance with section 250D of the Corporations Act and be lodged with the Company.

A Shareholder entitled to attend and vote at the Meeting may appoint an attorney to attend and vote at the Meeting on the Shareholder's behalf. The power of attorney appointing the attorney must be duly signed and specify the name of each of the Shareholder, the Company and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

A corporate representative or an attorney may, but need not, be a Shareholder of the Company.

Corporate representatives should bring to the Meeting appropriate evidence of appointment as a representative in accordance with the constitution of the Company. Attorneys are requested to bring to the Meeting the original or a certified copy of the power of attorney pursuant to which they were appointed. Proof of identity will also be required for corporate representatives and attorneys.

Enquiries

For further information, please contact:

Ross Kennedy, Company Secretary and Advisor to the Board

Email: rossk@emefcygroup.com

Telephone: +61 409 524 442

CHAIRMAN'S LETTER

8 June 2017

Proposed Merger by the Acquisition of RWL Water LLC – Your Vote is Important

Dear Shareholder

On 26 May 2017 Emefcy Group Limited (ASX: EMC) (**Emefcy**) announced that it had signed a definitive sale and purchase agreement with RSL Investments Corporation (**Seller**) to acquire RWL Water LLC (**RWL**). Both companies share a vision to combine and create a global provider of a comprehensive suite of decentralized water solutions. The proposed name of the new global group after the merger is Fluence Corporation Limited (**Fluence**). Among other conditions, this transaction is subject to Emefcy Shareholder approval, which is why I am writing to you now.

Under the terms of the agreement, Emefcy will merge by acquisition with RWL through the issue of 100.5 million new Emefcy shares to the Seller, an entity controlled by Mr Ronald S. Lauder. Those shares will be subject to a 2-year lock-up agreement, under which the Seller would only be allowed to sell the shares under limited circumstances.

The agreement further specifies that the Seller will subscribe for US\$20,000,000 (approximately A\$27 million) in Emefcy shares at a share price of A\$0.85 each. The share subscription is subject to Emefcy shareholder approval as well. Upon closing of the merger by the acquisition of RWL and share purchase, we estimate Mr Lauder will own approximately 34% of Fluence.

Fluence shares will remain listed on the Australian Securities Exchange.

An Extraordinary General Meeting of Shareholders has been convened for July 12, 2017 at 11:00 am Australian Eastern Standard Time, at Hall & Wilcox, Level 11, Rialto South Tower, 525 Collins Street, Melbourne, Victoria. At the meeting, Emefcy's shareholders will be asked to approve the merger by the acquisition of RWL, the capital raising and related matters.

The Emefcy board of directors unanimously recommends that Emefcy shareholders vote FOR the merger by the acquisition of RWL and all other resolutions to be considered at the Emefcy Extraordinary General Meeting.

Each Director intends to vote FOR the acquisition and all other resolutions on which they are permitted to vote in respect of the Emefcy shares that they hold or control.

Emefcy Board's Reasons for the Merger by the Acquisition of RWL

The Emefcy Board has reviewed and considered the proposed merger by the acquisition of RWL with the assistance of Emefcy's management, as well as with Emefcy's legal, financial and corporate advisors.

The shared vision of the two companies is to create a global provider of innovative, distributed water and wastewater treatment solutions. The Emefcy Board anticipates that the proposed merger by the acquisition of RWL would substantially accelerate Emefcy's deployment into China and other key markets, as well as deliver substantial sales synergies between Emefcy and RWL products and systems, resulting in continued revenue growth.

Fluence plans to provide a range of products and services for water treatment, wastewater treatment, desalination, waste-to-energy and water reuse and recovery. The combined group would focus on key growth markets including municipal, commercial, industrial, mining, oil & gas, power and food and beverage.

Fluence's wastewater treatment solution plans would be centred around Emefcy's proprietary Membrane Aerated Biofilm Reactor (MABR) technology and associated new technology developments.

In making its determination to pursue the merger by the acquisition of RWL, the Board focused on, among other things, the following material factors.

- On a combined basis, the two companies would have achieved revenues of US\$62 million (A\$83 million) in 2016 and anticipate sales in excess of US\$90 million (A\$120 million) for calendar 2017, 71% of which have already been achieved or are in backlog. Each company made significant investments in business and product development and innovation in calendar year 2016 and incurred losses in the same year.
- Each partner brings complementary strengths. RWL has strong capability in system design, construction, project management and deployment. Its brand recognition and marketing strength has already resulted in more than 7,000 reference sites in over 70 countries around the world. Meanwhile, the Board believes that Emefcy has developed a breakthrough technology that is "game-changing" in its ability to reduce wastewater treatment operating costs. The merger by the acquisition of RWL would also provide Emefcy with access to emerging and growing markets in Latin America and elsewhere around the globe for its MABR based technologies.
- As a combined entity, the Board believes that Fluence would be able to offer customers fully functional "turnkey" solutions that are highly differentiated by proprietary technology, accelerating deployment and commissioning of new plants, which is particularly important in the deployment of rural wastewater treatment plants in China, where the acceleration of deployments in rural and regional towns is critical. The ability to sell packaged turnkey solutions is estimated to shorten our sales and implementation cycles, and be attractive to our target customer base. With a differentiated solution that offers compelling economic advantages, Fluence could be more competitive while also capturing higher margins.
- The parties have already been working together as part of a strategic alliance, among other things, to pursue the large China market opportunity. Through working together in that alliance, both teams quickly came to the realization that they could potentially achieve a more powerful market position as a combined entity.

The Board has unanimously approved the acquisition and the execution of the sale and purchase agreement, taking into consideration a number of factors that are relevant to Emefcy and its stockholders.

YOUR VOTE IS VERY IMPORTANT.

If you are unable to attend the extraordinary general meeting to vote in person, please complete and submit your proxy form by following the instructions on page 11.

Thank you for your cooperation and continued support.

Yours sincerely



Richard Irving
Executive Chairman

EXPLANATORY MEMORANDUM

1 INTRODUCTION

1.1 General

The Company proposes to acquire all of the limited liability company interests (**LLC Interests**) in RWL Water LLC (**RWL**) from RSL Investments Corporation (**Seller**). The purchase price for the LLC Interests will be paid by issuing 100,500,000 Shares (**Consideration Shares**) and payment of US\$10,000 (**Completion Cash Consideration**) to the Seller. In addition, the Company will issue further Shares to the Seller (or its Related Bodies Corporate) to raise US\$20,000,000 at an agreed price of A\$0.85 per share which will be used to integrate the two businesses after the completion of the acquisition and implement the business strategies of the Merged Group.

This Explanatory Memorandum is to provide Shareholders with all information known to the Company, which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Meeting. This Explanatory Memorandum should be read in conjunction with the Notice of Meeting. Capitalised terms in this Explanatory Memorandum are defined in the Glossary section of this Explanatory Memorandum.

A copy of the Notice of Meeting (including this Explanatory Memorandum) was lodged with ASX Limited (**ASX**) on 8 June 2017 and with the Australian Securities and Investments Commission (**ASIC**) on 5 June 2017. No responsibility is taken for the content of this Notice of Meeting (including this Explanatory Memorandum) by ASIC or ASX.

Having considered the circumstances as a whole, each Director believes that the advantages of the Proposed Transactions outweigh the disadvantages and risks associated with them. The reasons for and against the Resolutions relating to the Proposed Transactions and risks are set out in section 4 of this Explanatory Memorandum.

The Directors unanimously recommend that the Shareholders vote in favour of the Resolutions relating to the Proposed Transactions.

Each Director intends to vote in favour of those Resolutions (to the extent that they are entitled to vote on them) in respect of the Shares that they hold or control.

The Company has engaged an independent expert, PPB Advisory, to undertake an analysis of whether the Proposed Transactions are fair and reasonable when considered in the context of the interests of the Shareholders.

PPB Advisory concluded that, in the absence of a superior offer, the Proposed Transactions are fair and reasonable to the non-associated Shareholders. A copy of the Independent Expert's Report is included at Annexure A.

Shareholders are advised to read this document carefully and in full before the Meeting is held. If you are in any doubt as to how to deal with this document, please consult your financial, legal or other professional adviser.

1.2 Purpose of Meeting

- (a) The main purpose of this Meeting is for the Shareholders to approve the Resolutions relating to the issue of:

- (i) 100,500,000 Consideration Shares to the Seller as payment for the acquisition of the LLC Interests; and
 - (ii) 31,840,000¹ Placement Shares to the Seller (or its Related Bodies Corporate) at an issue price of A\$0.85 per Share, to raise US\$20,000,000 (the proposed acquisition of the LLC Interests and capital raising from the Seller is collectively referred to as the **Proposed Transactions**).
- (b) Shareholders are also being asked to consider several other resolutions that are being proposed in connection with the Proposed Transactions.
- (c) As announced to ASX on 26 May 2017, the Company has entered into the Sale and Purchase Agreement with the Seller to acquire the LLC Interests, and also the Private Placement Letter Agreement with the Seller, under which the Seller (or its Related Bodies Corporate) will subscribe for the Placement Shares. The Proposed Transactions are subject to obtaining Shareholder approval of Resolutions 1, 2 and 7.
- (d) The principal effects of the Proposed Transactions, assuming that Completion occurs, are as follows:
- (i) the Company will acquire the LLC Interests;
 - (ii) the Company will raise US\$20,000,000 to fund working capital for its merged businesses;
 - (iii) following the issue of the Completion Shares and the Placement Shares at Completion, the total number of issued Shares will increase from 259,001,054 to an estimated 371,241,054²;
 - (iv) the Holdback Shares (consisting of 20% of the Consideration Shares) will not be issued for at least 12 months commencing on Completion, and their issue will be subject to claims, if any, arising from the indemnities provided by the Seller under the Sale and Purchase Agreement; and
 - (v) the Seller will be restricted from selling, transferring or otherwise disposing of any Consideration Shares for two years commencing on Completion in accordance with the Lock-Up Agreement. The restrictions under the Lock-Up Agreement will be subject to limited exceptions, including that Consideration Shares may be disposed of in sales with the net proceeds used to satisfy claims, if any, arising from the indemnities provided by the Seller under the Sale and Purchase Agreement.

1.3 Proposed Timetable

The proposed timetable for Completion and the issue of the Completion Shares and the Placement Shares is as follows:

General Meeting	12 July 2017
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¹ It is assumed that Emefcy Shares are issued for an issue price of A\$0.85 per share and an exchange rate of 0.7390 for US\$ 20,000,000.

² The number of issued shares after the Proposed Transactions are fully implemented may be different depending on the prevailing exchange rate at the time when the Placement Shares are issued and whether there are any claims arising from the indemnity provisions under the Sale and Purchase Agreement.

Record Date	anticipated to be 10 July 2017
Expected Date of Completion of Proposed Transactions	14 July 2017
Expected date for issue of Completion Shares and Placement Shares	14 July 2017

The timetable is indicative only and subject to change. The Company reserves the right to vary the above dates, subject to the Listing Rules and the Corporations Act.

2 TRANSACTION SUMMARY AND RELEVANT CONSIDERATIONS

2.1 Background

On 26 May 2017, the Company announced that it had entered into the Sale and Purchase Agreement to acquire all of the LLC Interests in RWL, subject to certain conditions, as well as the Private Placement Letter Agreement with the Seller. Under the Proposed Transactions:

- the Company will acquire the LLC Interests in RWL in consideration for issuing the Consideration Shares³ to the Seller (or its Related Bodies Corporate); and
- the Company will issue the Placement Shares to the Seller (or its Related Bodies Corporate) for total cash consideration of US\$20,000,000.

RWL is a privately held company which is ultimately controlled by Mr Ronald S Lauder. It is a limited liability company formed in the State of Delaware with its business address in New York City, United States of America. The Seller, a corporation incorporated in the State of Delaware with its business address in New York City, United States of America, is the sole member of RWL.

RWL owns a number of wholly owned subsidiaries, including RWL Israel, RWL Middle East, RWL Italy, RWL USA and RWL Investments. It also currently holds a majority equity interest in RWL Argentina which in turn holds a majority equity interest in Acquavit Ltda. (a Brazilian company). These entities together with other Subsidiaries of RWL are collectively referred to in this Explanatory Memorandum as the "RWL Water Group".

2.2 Proposed Transactions

The Proposed Transactions consist of two components:

- the acquisition of the LLC Interests in consideration for issuing the Consideration Shares; and
- the issue of the Placement Shares to raise US\$20,000,000.

The Company has entered into the Sale and Purchase Agreement which provides for the proposed acquisition of all of the LLC Interests in RWL from the Seller, in consideration for issuing 100,500,000 Consideration Shares and payment of US\$10,000 Completion Cash Consideration to the Seller. The Seller will be restricted from selling, transferring or otherwise disposing of any Consideration Shares for a two year period commencing on Completion, subject to limited exceptions, including to satisfy indemnity claims against the Seller under the Sale and Purchase Agreement.

The Company has also entered into the Private Placement Letter Agreement with the Seller, to issue the Placement Shares to the Seller (or its Related Bodies Corporate) for total consideration of US\$20,000,000 and at an issue price of A\$0.85 per share. Subject to Resolutions 1, 2 and 7 being passed, the Company will issue Placement Shares in an amount equal to US\$20,000,000 (converted into Australian dollars at the foreign exchange rate published by the Reserve Bank of Australia as at 10.00 a.m. (AEST) on the date of Completion) divided by the agreed price of A\$0.85 per share.

³ In addition to issuing the Consideration Shares, the Company will pay the Completion Cash Consideration of US\$10,000 under the Sale and Purchase Agreement in consideration for acquiring the LLC Interests.

2.3 Strategic rationale for the Merger by the Acquisition of RWL

Both Emefcy and RWL share a vision to combine to build a global provider of a comprehensive suite of decentralized water solutions to be named “Fluence”. Key factors supporting the intended merger by the acquisition of RWL including:

- The global need for clean water and water treatment solutions is growing rapidly, driven by increasing population and degradation of water systems as a consequence economic development.
- The existing suite of water treatment solutions and products cover not only very broad geographies but also highly diverse industries. This is coupled with the pipeline of new products being developed by Emefcy to address identified market opportunities.
- RWL’s packaged plant solutions in combination with the Emefcy technology, represent innovation in a cost-competitive setting specifically designed for decentralised locations, municipalities and a range of industry applications.

Over time, the aim of Fluence is to establish increased revenue from recurring, annuity-type income. This will lessen the dependence on project-specific revenue which, while still in a growth phase in many geographies, will be augmented with long term income in the form of Build Operate Transfer (**BOT**) and Reuse as a Service (**RaaS**) type projects. With these contracts typically spanning 10-30 years, there is a substantial potential opportunity to create layers of revenue, with the recurring income representing a substantial, pre-determined amount for the duration of the contract.

Each partner brings a range of complementary strengths.

RWL has strong capabilities in system design, construction, project management and deployment. Its brand recognition and marketing strength has already resulted in thousands of deployments in over 70 countries around the world. RWL's packaged plant solutions enable delivery of water treatment solutions within rapid timeframes. For example, in 2016 the Richards Bay Water Authority in Durban, South Africa was experiencing a water shortage and needed rapid deployment of a water desalination solution to process approximately 10,000 cubic metres of water per day. With a project value of approximately US \$6.0 million, RWL Israel was able to supply, install and commission 10 Nirobox containerised desalination units from its Israel production facility and commence treated water production within 6 months of receiving a confirmed order.

Meanwhile, Emefcy has developed a breakthrough technology that the Board believes is “game-changing” in its ability to reduce wastewater treatment operating costs.

As a combined entity, the Board believes that Fluence would be able to offer customers fully functional “turnkey” solutions that are highly differentiated by proprietary technology, accelerating deployment and commissioning of new plants, particularly important in the deployment of rural wastewater treatment plants in China. The ability to sell packaged turnkey solutions is estimated to substantially shorten Fluence’s sales and implementation cycles, and be attractive to its target customer base. With a differentiated solution that offers economic advantages, the future Fluence could be more competitive while also capturing higher margins.

The parties have already been working together as part of a strategic alliance to pursue the large China market opportunity. Through working together in that alliance, both teams quickly came to the realization that they could potentially achieve a more powerful market position as a combined entity.

The table below illustrates the key customer segments and services that Fluence could serve upon consummation of the merger by the acquisition of RWL.

Client Sector Base					
Industrial	Municipal	Mining	Oil & Gas	Power	Food & Beverage

Water Markets Served					
Desalination	Water	Wastewater	Waste-to-Energy	Reuse & Recovery	Food & Beverage
<ul style="list-style-type: none"> ▪ Delivery of desalination plants for long or short term solutions ▪ Read-to-use modular system can be pre-assembled on a skid or containerised 	<ul style="list-style-type: none"> ▪ Provide custom designed and advanced treatment plants specialising in mechanical and chemical treatment processes, disinfection, removal of toxic substances, ultrafiltration, reverse osmosis and biological potabilisation 	<ul style="list-style-type: none"> ▪ Provide custom and standard packaged wastewater treatment plants, using 90% less energy, halving opex, designed to treat influents for either reuse or discharge 	<ul style="list-style-type: none"> ▪ Provide delivery services for anaerobic treatment systems ▪ Customised plants for the production of biogas, starting from analysis of the type and quantity of biomass to be treated 	<ul style="list-style-type: none"> ▪ Worldwide experience in the advanced treatment of wastewater and process water to the required purity levels, such that the water can be reused in industrial, agricultural, or municipal processes 	<ul style="list-style-type: none"> ▪ Custom design of food processing solutions using membrane separation, food grade media, ion exchange resins, and absorbent resins ▪ Provider in the design and implementation of 4SMB chromatography plants for the purification of fruit juices

2.4 About RWL and RWL Water Group

RWL Water Group is a global water treatment enterprise providing water, wastewater and wastewater-to-energy solutions for industrial and municipal clients. It serves as a fully-integrated platform with manufacturing, financing, installation, operating, consulting and maintenance capabilities for customers worldwide. It has global operations, including operating subsidiaries in the United States, Israel, Italy, Brazil, Middle East and Argentina.

Founded by Mr Ronald S Lauder in 2010, RWL Water Group is recognised as a fast-growing water solutions company, with more than 7,000 reference sites and possessing strong customer references in more than 70 countries worldwide. RWL Water Group was recently nominated for the 2017 Global Water Awards in the category of "Water Company of the Year".

RWL Water Group operates in multiple jurisdictions. Several of its main operating entities have been in business for more than 15 years and have been integrated into RWL Water Group by means of acquisitions. Two significant projects, PDVSA and San Quintin, operate out of Venezuela and Mexico respectively.

RWL, its main operating entities and their major projects are as follows.

(a) *RWL (RWL Water LLC)*

RWL is the holding entity of RWL Water Group. RWL develops strategies for RWL Water Group globally, coordinates and supports RWL Water Group's sales and operations activities, operates the international sales organization and implements and directs the marketing activities and overall marketing strategy. RWL also has financial control responsibilities for RWL Water Group and sets internal accounting policies. RWL oversees the individual subsidiaries' budgets and approves or disapproves of all projects larger than US\$2 million. In addition, all operating company projects that require a significant investment or a long-term involvement (i.e. lease or operation and maintenance contracts), are approved and overseen by RWL.

(b) *RWL Argentina*

RWL Argentina represents RWL in South America and is in charge of the sales and marketing activities for the complete technology and products portfolio of RWL Water Group in its territory. RWL Argentina operates as a specialist in the development, production and service of custom, advanced-technology systems for the treatment and reuse of water and wastewater. RWL Argentina's products allow users to optimize the physical, chemical and microbiological characteristics of water. The systems that RWL Argentina creates are suitable for multiple applications, ranging from softening and water reuse to seawater desalination. RWL Argentina was founded in Argentina in 1993 by five engineering professors who specialized in the production of ozone generators for the beverage industry. It is headquartered in Mar del Plata, in the province of Buenos Aires, Argentina.

RWL Argentina serves three major markets: the large/mid-scale industrial market, the beverage market and the commercial green building market. The industrial market is comprised of power, agricultural, irrigation, mining and oil and gas needs. The commercial green building market has similar but smaller needs when compared with the industrial market. RWL Argentina provides solutions to these industries through in-house manufacturing of customized systems. In addition, it provides reverse osmosis pre-treatment systems for Coca-Cola bottling companies in South America.

RWL Argentina is an experienced provider of water treatment systems. It is a member of the International Desalination Association, the Adventist Development and Relief Agency, the, American Membrane Technology Association, and the International Ozone Association]. Over the last 20 years, RWL Argentina has demonstrated the ability to effectively develop and market its custom products throughout South America.

On 1 August, 2013, RWL and RWL Israel jointly acquired 70% of the shares of RWL Argentina. The remaining 30% is currently owned by the original two owners, who also remain at RWL Argentina in senior management roles. On 26 May 2017, RWL signed a Stock Purchase Agreement with the owners of the 30% minority interest in RWL Argentina (**Argentina Minority Owners**) for the buyout of their interests in RWL Argentina by RWL. The consideration for the sale includes the payment by RWL to the Argentina Minority Owners of US\$300,000, the issue by Emefcy at Completion to a trustee on behalf of the Argentina Minority Owners of a number of Emefcy Shares equal to US\$4,018,000 (converted into Australian dollars at the foreign exchange rate published by the Reserve Bank of Australia as at 10.00 a.m. (AEST) on the date immediately before Completion), and a contingent payment of US\$300,000 after Completion (subject to the satisfaction of certain conditions). Completion of the buyout of such minority interest in RWL Argentina is conditional on, and will occur simultaneously with, Completion.

The main projects of RWL Argentina include:

- (i) **Puerto Deseado:** RWL Argentina built a seawater reverse osmosis desalination plant in Puerto Deseado, Province of Santa Cruz, with a contract value of US\$3,003,312. The construction of the plant has been completed and the plant currently operates.
- (ii) **Caleta Olivia:** In May 2015, RWL Argentina was subcontracted in respect of a seawater reverse osmosis desalination plant in Caleta Olivia, Province of Santa Cruz, with a contract value of US\$12,606,630. The construction of the plant has been completed and the plant commenced operations in March 2017.
- (iii) **PBB Polisor:** In October 2015, RWL Argentina was commissioned to build the turn-key construction of an ultrafiltration water system, with a contract value of US\$1,541,528.

In January 2017, RWL Argentina acquired 70% of a business in Brazil.

(c) *RWL Israel*

RWL Israel represents RWL in Israel and is in charge of the sales and marketing activities for the complete technology and products portfolio of the group in its territory. RWL Israel operates as RWL Water Group's centre of competence for the design and manufacture of seawater and brackish water desalination systems, as well as advanced membrane-based water and wastewater treatment systems. RWL Israel offers complete turnkey solutions from design and manufacture to commissioning and after-sales service. RWL Israel, which was the first subsidiary acquired by RWL, is the project management powerhouse for larger RWL projects.

RWL Israel was originally formed in 1990 in Karmiel, Israel. Since its formation, its mission has been to treat and supply water wherever it is needed. As such, RWL Israel supplies water and wastewater solutions to customers worldwide, including the Middle East, North and South America, Asia, Australia, Africa and Europe. RWL Israel takes pride in its flexible approach that allows each system to be customized to every client's unique requirements, site-specific conditions and required standards.

In May 2015, RWL Israel signed an agreement for the set-up of a joint venture with Quimica Apollo, S.A. de C.V., a Mexican entity in the field of chemicals trading and operation of water and wastewater treatment plants. The company was established on June 27, 2016. The company provides integrated water and wastewater treatment services to the industrial sector in Mexico.

(d) *RWL Italy*

RWL Italy represents RWL in Italy and Central Europe and is in charge of the sales and marketing activities for the complete technology and products portfolio of the group in its territory. Moreover, RWL Italy acts as RWL Water Group's centre of competence for industrial water treatment, biogas and biomass plants and anaerobic wastewater treatment.

RWL Italy was originally formed in 1998 in Padova, Italy under the name Eurotec WTT S.r.l. Since its formation, RWL Italy has mainly served clients in the food industry. Its three main business segments as RWL Water Group's centre of competence are primary water, food-and-beverage treatment and waste-and-wastewater treatment.

On 22 September 2011, RWL acquired a 67% interest in RWL Italy. On 13 January 2017, RWL purchase the remaining 33% owned by the original two owners and founders, who remain at RWL Italy in senior management roles. On 2 May 2013, RWL Italy formed a joint venture company, Maiveo S.A.S. (Maiveo) together with local partners in France. The remaining 40% of RWL Water France was acquired by RWL Water Italy on 17 May 2016. The company is based in Ancenis, France and is primarily focused on serving the water and wastewater markets in France.

(e) *RWL USA*

RWL USA represents RWL in the United States and Canada and is in charge of the sales and marketing activities for the complete technology and products portfolio of the group in its territory. Moreover, RWL USA acts as RWL Water Group's centre of competence globally for multiple product lines that include aeration equipment, eco aeration, and aerobic wastewater treatment systems.

Since RWL USA's formation, the products have been designed and engineered in-house. In 2014, RWL USA acquired the assets of Ohio-based Tipton Environmental International, Inc. ("Tipton") to add packaged wastewater treatment product offerings. The Tipton series now exists as a broad packaged plant product line within RWL.

RWL USA holds several patents that solidify the technological advantages of its products. All aerators are designed, engineered and built in-house. RWL USA utilizes three in-house water test tanks to perform quality control checks of its aeration products.

RWL USA has installed more than 4,500 systems in over 70 countries worldwide. RWL USA was originally formed in 1987 and is headquartered in Minneapolis, Minnesota. RWL acquired an 80% interest in RWL USA on November 22, 2010 and acquired the remaining 20% from RWL USA's founder on December 20, 2016.

(f) *RWL Middle East*

RWL Middle East was set up in 2014 in Dubai to expand its footprint in the region. RWL Middle East is a joint participant with RWL Israel in a project to build a desalination plant. The project is currently in the design and procurement stage. Equipment is currently being fabricated for the project.

(g) *RWL Investments*

RWL Investments is an investment entity set up by RWL in the United Kingdom in October 2015 for the purpose of managing projects and investments in a tax efficient manner. It is wholly owned by RWL and its subsidiaries. RWL Investments owns an approximately 51% interest in a special purpose Mexican company, "Desaladora Kenton SA de CV". This special purpose company has the contractual rights to supply water from the San Quintin project in Mexico (under development and subject to finance) to the local water utility for 30 years.

The San Quintin Mexico BOT Project is a build-operate-transfer project for the desalination plant in San Quintin, Mexico, located approximately 250 kilometres (155 miles) from the US and Mexico border. It is expected to consist of the construction of a 22,000 cubic metre per day (approximately 5.8 MGD) seawater desalination plant and operation of the plant for 30 years. The Public Private Partnership Agreement for this project was signed in January 2016. The Environmental Impact Study was submitted to Semarnat (Ministry of Environment and Natural Resources) in July 2016 and the environmental permit was subsequently received in March 2017. Financial close is expected during the 3rd quarter of 2017. Commencement of construction will start soon thereafter and is expected to last for 18-24 months.

(h) *PDVSA Agricola*

On June 30 2014, PDVSA Agricola and RWL Argentina entered into an agreement to set out the framework for the supply of wastewater treatment and reuse plants. Under the agreement, RWL Argentina and RWL Water Israel were required to design and manufacture the products for the installation of the plants and provide advice in connection with the engineering documents and the different systems for the treatment of wastewater. The agreement is governed by Venezuelan law and subject to the jurisdiction of Venezuelan courts. The total amount involved in the agreement is US\$191,000,000, of which PDVSA Agricola advanced US\$95,545,000, as a prepayment to RWL Water Argentina.

To the extent that the prepayments advanced by PDVSA Agricola have not been applied by RWL Argentina for some other purposes, the funds should be available to satisfy RWL Argentina's obligations under the agreement in the event that RWL Argentina does not deliver on the project.

On March 10, 2016, PDVSA Agricola terminated the Agreement alleging a breach by RWL Argentina. On December 28, 2016, however, after following extensive discussions with the customer, PDVSA Agricola informed RWL Argentina that its board had decided to formally continue the project with a scope of work reduced to US\$95,545,000 (with advanced payment). PDVSA has reiterated their commitment to proceed with the project work and has acknowledged receipt of invoices/documents for completed work and some ancillary costs. A definitive timeline for progressing the project and formal acceptance of the claim amount is expected to be resolved during July 2017.

2.5 RWL's Technologies

(a) *Drinking Water Treatment*

RWL Water Group provides both standard and custom-designed water treatment solutions that can deliver high-quality, safe drinking water to municipalities in densely populated areas, as well as remote communities. Its focus lies in ensuring safe, dependable, and affordable drinking water, supported by decades of hands-on experience at hundreds of water treatment facilities around the world.

RWL Water Group offers a wide range of water treatment solutions in order to produce drinking water, for example:

- Clarification and purification
- Softening
- Biological potabilization
- Specific treatments (removal of arsenic, uranium, nitrates, activated carbon filtration, etc.)
- Demineralization with ionic exchange resins
- Disinfection
- Desalination
- Sludge treatment

(b) *Desalination*

Municipal Water - To ensure a consistent and reliable water supply, many communities, water authorities, and private companies are turning to desalination. RWL Water Group's tailor-made and standard desalination systems can produce drinking water from almost any source, including the sea, as well as surface water and brackish water. RWL Water Group also designs, manufactures, and supplies modular, containerized water treatment plants for the municipal and industrial sector. The containerized modules, which come already assembled, wired, and plumbed, are specially designed for fast and easy installation and commissioning.

Process Water Desalination - RWL Water Group designs, manufactures, and commissions advanced systems for the production of process water. The systems are able to treat water from a wide variety of water sources, including brackish water and seawater, and treat turbidity, salinity, and a wide range of contaminants, including arsenic, nitrates and more. RWL Water Group's desalination systems supply process water for a wide variety of applications, including demineralized water for high-pressure steam boilers, permeate for cooling and other uses.

Seawater Desalination - Seawater Reverse Osmosis (SWRO) systems can be tailor-made based on water quality requirements and site-specific feed-water characteristics. RWL Water Group supplies small-to-large desalination plants with capacities of 5 to 100,000 m³ per day. To reduce costs, energy recovery is undertaken with pressure exchangers or turbine pumps.

Brackish Water Desalination - Brackish Water Reverse Osmosis (BWRO) systems are able to treat water from a wide variety of water sources, including surface water and wells, and can treat turbidity, salinity, and a wide range of contaminants, including arsenic, nitrates, and more.

(c) *Wastewater Treatment Solutions*

Industrial and municipal wastewaters contain various types of pollutants, such as dissolved organic matter, fats and oils, nitrogen compounds, suspended solids, heavy metals, surfactants, and more. RWL Water Group designs, builds, and operates treatment plants in full compliance with environmental regulations, meeting specific customer needs and maximizing the cost-effectiveness of the investment. It also supplies standardized, packaged wastewater treatment systems, which are transportable and easily installed at the site. Packaged wastewater treatment systems can treat a range of wastewaters to match specified discharge limits.

Industrial Wastewater and Reclamation Desalination - RWL Water designs, manufactures, and supplies wastewater treatment and reclamation systems for industrial use. Wastewater reclamation lets factories minimize discharge and save on water costs through the reuse of effluent in various processes, and lets municipalities reuse effluent from biological wastewater treatment plants for irrigation.

RWL Water Group offers a wide range of treatment solutions, depending on the wastewater characteristics, including:

- Aerobic biological treatment
- Nitrogen and phosphorous treatment
- Tertiary treatment
- Anaerobic treatment and biogas production

In addition to tailor-made treatment solutions, RWL Water Group offers the following standardized products:

- Packaged Wastewater Treatment Plants - The RWL Water Group supplies packaged and field-erected wastewater treatment plants for municipal, commercial, and many industrial wastewater applications. These plants are reliable, odor-free, portable, reusable, partially preassembled, compact, self-contained, custom-configured, and designed specifically for each project.
- Aeration Equipment - RWL Water Group also offers a complete line of aeration equipment, including aerators, mixers, diffusers, and fountains to improve the quality of water and wastewater.

(d) *Recovery and Reuse*

Water scarcity is increasingly driving innovation. Wastewater, which was previously considered a disposal liability, can now become a valuable resource. RWL Water Group has worldwide experience in the advanced treatment of wastewater and process water to purity levels that allow its reuse in industrial, agricultural, or municipal processes. Its energy-efficient water treatment solutions can produce pure and ultrapure water for reuse in power generation, cooling towers and district cooling systems, beverage bottling, food production, agriculture irrigation, and many other industries.

(e) *Waste-to-Energy Solutions*

RWL Water Group's experience, skills, and attention to energy savings have led to the optimal completion of the industrial cycle by recycling process waste. Biomass treatment by anaerobic digestion produces biogas, which allows the simultaneous generation of electricity and thermal energy. With RWL Water Group's technological solutions, ordinary livestock manure, vegetable silage, and more complex biomasses such as food-industry waste (for example from slaughterhouses, whey and beer and fruit juice production) can become resources.

RWL Water Group provides both traditional nitrification-denitrification and a more innovative, completely autotrophic biological process that does not require organic carbon. Both processes convert the nitrogen into gaseous nitrogen without using acids or other chemicals, and without generating any by-product.

(f) *Food and Beverage Processing*

RWL Water Group has more than 30 years of experience in the custom design of treatment plants using ion-exchange resins and absorbent resins for food processing solutions. The cost-effective and innovative solutions are ideal for wine, fruit juices, whey demineralization, and cane sugar decolorizing.

- Demineralization of Fruit Juices – RWL Water Group's demineralization processes offer advantages, including reduced dilution of treated juices and a high-quality end product, with very low reagent consumption.
- Recovery of Organic Acids and Natural Fruit Colors - RWL Water Group recovers organic acids and natural colors, including malic acid, tartaric acid and enocyanin, from fruit juices.
- Tartaric Stabilization - RWL Water Group performs tartaric stabilization of wine through ionic exchange with resins. This process reduces initial investment and costs less to operate than cold stabilization, which is the standard process.
- Decolorizing - RWL Water Group builds plants for polyphenol content reduction and for the complete decolorizing of grape must, sugar cane, and fruit juices. This results in control of juice color, as well as the recovery of natural colorant (enocyanin) without the use of alcohol.
- Debittering - RWL Water Group's resin based debittering process removes the bitter taste from fruit juices such as orange, lemon, and pomegranate.
- Chromatographic Demineralization - 4SMB (Four Simulated Moving Bed) chromatography, a technique originally used for the purification of molasses in sugar refineries, uses water only for separating sugars from salts. RWL Water Group applies this technology, on a smaller scale, to the demineralization of fruit concentrates, whey and sugar.
- Chromatographic Separation - 4SMB chromatography can be used to separate sugars like glucose, sucrose, and fructose from demineralized concentrated must (DCM), or from concentrated apple juices.

3 DETAILS OF RESOLUTIONS – GENERAL MEETING

3.1 Resolutions 1, 2 and 7 – Issue of Consideration Shares and Placement Shares and Acquisition of Relevant Interest in Consideration Shares by the Company

(a) *Section 606 of the Corporations Act*

Under section 606(1) of the Corporations Act, a person is prohibited from acquiring a Relevant Interest in issued voting shares of a listed company through a transaction in relation to securities entered into by or on behalf of the person if, because of the transaction, that person's or someone else's Voting Power in the company increases to more than 20%, unless one of the exceptions in section 611 of the Corporations Act applies.

Generally, under section 608, a person has a Relevant Interest in securities if they:

- are the holder of the securities;
- have power to exercise, or control the exercise of, a right to vote attached to securities; or
- have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

The Voting Power of a person is determined under section 610 of the Corporations Act. It involves calculating the number of voting shares in the company in which the person and the person's Associates have a Relevant Interest.

A person (second person) will be an "Associate" of the other person (first person) if:

- the first person is a body corporate and the second person is:
 - a body corporate the first person controls;
 - a body corporate that controls the first person; or
 - a body corporate that is controlled by an entity that controls the first person;
- the second person has entered or proposed to enter into a relevant agreement with the first person for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- the second person is a person with whom the first person is acting, or proposing to act, in concern in relation to the company's affairs.

Accordingly, if the Proposed Transactions proceed and the Company issues the Consideration Shares and Placement Shares to the Seller (or its Related Bodies Corporate), the Seller would be in contravention of section 606 in the absence of an exemption applicable to it. The Company itself will also acquire a Relevant Interest in its own Shares (which will require approval from Shareholders) as a result of the voluntary escrow arrangements in respect of the Consideration Shares that have been agreed with the Seller.

(b) *Approval under section 611, item 7 of the Corporations Act*

Section 611 of the Corporations Act sets out various exceptions in which acquisitions of a Relevant Interest are exempt from the prohibition under section 606. Specifically, section 611, item 7 provides that an acquisition will be exempted from the prohibition if approved by a resolution passed at a general meeting of the company in accordance with the requirements of section 611, item 7.

Resolutions 1, 2 and 7 seek the approval of Shareholders for the issue of 100,500,000 Consideration Shares and 31,840,000⁴ Placement Shares to the Seller (or its Related Bodies Corporate), and also the acquisition of a Relevant Interest by the Company in the Consideration Shares by virtue of entering in voluntary escrow arrangements with the Seller in the Lock-Up Agreement, for the purpose of satisfying section 611, item 7 of the Corporations Act.

Section 611, item 7 of the Corporations Act requires that no votes are cast in favour of the Resolutions 1, 2 and 7 by:

- (i) the person proposing to make the acquisition and their Associates; or
- (ii) the persons (if any) from whom the acquisition is to be made and their Associates.

Section 611, item 7 of the Corporations Act also requires that the Shareholders be given all information known to the person proposing to make the acquisition or their Associates, or known to the Company, that is material to the decision on how to vote on the resolution. In addition, ASIC Regulatory Guide 74 *Acquisitions approved by members (RG 74)* also sets out the disclosure requirements which should be considered by Shareholders for the purposes of approving the issue of the Consideration Shares and the Placement Shares under section 611, item 7 of the Corporations Act. The following paragraphs set out information required to be provided to the Shareholders under section 611, item 7 and RG 74.

- (i) Identity of the persons proposing to make the acquisitions and their Associates

The Consideration Shares and the Placement Shares will be issued to the Seller (or its Related Bodies Corporate) and the information about the Seller is provided in Section 1. Mr Lauder is an Associate of the Seller. The information about Mr Lauder is provided in Section 2.1.

As discussed above, the Company itself will also acquire a Relevant Interest in the Consideration Shares because of the voluntary escrow arrangements with the Seller.

Although the Company will not own any of the Consideration Shares held by the Seller (or have any ability to control how the Consideration Shares are voted), the Company will technically be considered to have acquired a Relevant Interest in the Consideration Shares as a result of the negative control rights in the Lock-Up Agreement, and this acquisition by the Company also requires approval from Shareholders under item 7, section 611 of the Corporations Act.

- (ii) Maximum extent of the increase in the Seller's Voting Power

As at the date of this Explanatory Memorandum, the Voting Power held by the Seller and its Associates is nil. The Consideration Shares are comprised of 80,400,000 Completion Shares which will be issued at Completion and 20,100,000 Holdback Shares which are to be held back from being issued for at least 12 months after Completion. The issue of the Holdback Shares will be subject to claims, if any, arising from the indemnities provided by the Seller under the Sale and Purchase Agreement. The Placement Shares will be issued to the Seller (or its Related Bodies Corporate) at Completion.

⁴ Assuming that Emefcy Shares are issued for an issue price of A\$0.85 per share and an exchange rate of 0.7390 for US\$ 20,000,000.

The following table summarises the maximum number of Emefcy voting shares to be acquired by the Seller (or its Related Bodies Corporate) under the Proposed Transactions.

Event	Voting Shares before Event	Voting Shares issued at Event	Voting Shares after Event	Seller's Voting Power
Issue of Completion Shares	259,001,054	80,400,000	339,401,054	23.69%
Issue of Placement Shares	339,401,054	31,840,000 ⁵	371,241,054	30.23%
Issue of Holdback Shares ⁶	371,241,054	20,100,000	391,341,054 ⁷	33.82%

While the Company will acquire a Relevant Interest in the Consideration Shares, the Company will not obtain any power to vote in respect of any of the Consideration Shares.

(iii) Changes to the Company

Upon successful Completion of the Proposed Transactions, the Company proposes that Dr Ramesh will become a non-executive Director of the Company and Mr Charrabé is to be appointed as Managing Director and Chief Executive Officer of the Company. In that capacity, Mr Charrabé will manage the businesses and operations of the Merged Group. Other proposed additions to the Company's senior management team are described in Section 6.1. The Board will then be comprised of 7 Directors, with the five existing Directors of Emefcy and Mr Charrabé and Dr Ramesh.

In relation to the current management team of the Company, Mr Irving will continue to serve as the Executive Chairman and Mr Eytan Levy will continue in the role of Executive Director and will be appointed as President of the Products and Innovation Group.

At Completion, the Company's business will be combined with that of the RWL Water Group and the Company will receive the US\$20,000,000 cash injection from the Seller (or its Related Bodies Corporate) through the issue of the Placement Shares. The Merged Group will then seek to integrate the business of the Company with the business of RWL Water Group.

This integration might result in the redeployment of assets or employees. A detailed functional review of the Merged Group will be undertaken following Completion and, therefore, the extent of any changes cannot be specifically determined at this stage.

⁵ It is assumed that Emefcy Shares are issued for an issue price of A\$0.85 per share and a USD exchange rate of 0.7390 for US\$20,000,000. Therefore, the final number of Placement Shares may be different depending on the prevailing exchange rate at the time when the Placement Shares are issued.

⁶ It is assumed that there are no claims arising from the indemnity provisions under the Sale and Purchase Agreement.

⁷ The number of shares on issued after the Proposed Transactions are fully implemented may be different depending on the prevailing exchange rate at the time when the Placement Shares are issued and whether there are any claims arising from the indemnity provisions under the Sale and Purchase Agreement.

Any detailed changes proposed to be made to the Company's business and operations are set out in Section 6 *Information about the Merged Group*.

(iv) Interest of the Directors in the Proposed Transactions

The Directors have no interests associated with the Proposed Transactions other than Options that are proposed to be issued if Resolution 6 is passed.

(v) Directors' recommendations

Each Director recommends that the Shareholders vote in favour of Resolutions 1, 2 and 7.

Each Director believes that the advantages of the Proposed Transactions outweigh the disadvantages and risks associated with the Proposed Transactions. The reasons for and against the Proposed Transactions and risks are set out in section 2 of this Explanatory Memorandum.

Each Director intends to vote in favour of Resolutions 1, 2 and 7 in respect of the Shares that they hold or control.

(vi) Independent Expert's Opinion

The Company engaged an independent expert, PPB Advisory, to undertake an analysis of whether the Proposed Transactions are fair and reasonable when considered in the context of the interests of the Shareholders (other than those involved in the proposed allotment or purchase or associated with such persons).

PPB Advisory concluded that, in the absence of a superior offer, the Proposed Transactions are fair and reasonable to the non-associated Shareholders.

A copy of the Independent Expert's Report by PPB Advisory is contained in Annexure A of this Notice of Meeting.

The passing of each of Resolutions 1, 2 and 7 are conditional upon each of the other Resolutions being approved by the Shareholders. Accordingly, if you intend to vote in favour of any of Resolutions 1, 2 or 7, you should vote in favour of each of Resolutions 1, 2 and 7.

Resolutions 1, 2 and 7 are ordinary resolutions.

3.2 Resolution 3 - Approval of Appointment of Dr Rengarajan Ramesh as a Director and Issue of Options

(a) *Approval for Appointment of Dr Ramesh as a Director under Resolution 3(a)*

Resolution 3(a) seeks shareholder approval to appoint Dr Ramesh as a Director subject to Resolutions 1, 2 and 7 being passed. Shareholders are entitled to appoint a Director in accordance with clause 4.2(b) of the Company's constitution. The Company received a nomination of Dr Ramesh as a director by Pond Venture Nominees III Limited and a consent to that nomination signed by Dr Ramesh on 18 May 2017.

Dr Ramesh is currently a non-executive director and Technical Advisor of RWL. He brings over 30 years of global operating, acquisition and technology experience. He previously held senior management positions at GE Water & Process Technologies including Chief

Technology Officer. He played a key role in the development and implementation of the strategy that led to the creation of GE's US\$2.5 billion global water platform.

The appointment of Dr Ramesh to the Merged Group Board is pivotal in integrating Emefcy's business with RWL Water Group's business. Having served as a director on RWL's board, he will offer the Merged Group Board his valuable experience in the implementation of the business strategies of the Merged Group. His background in engineering and technology will also assist the Merged Group with its further development of water-related technology.

(b) *Approval for Issue of Options to Dr Ramesh under Resolution 3(b)*

Resolution 3(b) is seeking Shareholder approval for grant of 1,500,000 Options to Dr Ramesh.

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party. For the purposes of Listing Rule 10.11, a related party includes a director of the company and a person who ASX believes, or has reasonable grounds to believe, is likely to become a related party of the company in the future.

Dr Ramesh is a related party to the Company because he is proposed to become a Director of the Company upon Completion of the Proposed Transactions. On this basis, the Company believes that he is likely to become a related party of the Company.

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without approval of the company's members. Section 211 of the Corporations Act provides an exception to the requirement to obtain shareholder approval for giving a financial benefit to a related party, where the financial benefit is remuneration and reasonable given the circumstances.

The Company considers that the proposed issue of the Options will be reasonable remuneration to Dr Ramesh to compensate for his acceptance of the position as the Director of the Company and motivate him to perform to his best ability.

The exercise price of these Options will be the market price of the Shares on the date on which these Options are issued, which is expected to be the date of Completion. These Options will vest 2 years after the date of their issue and will expire at the end of 4 years from the date of their issue.

In accordance with Listing Rule 10.13, the following information is provided in connection with Resolution 3(b).

- (i) The name of the person - Dr Rengarajan Ramesh
- (ii) The maximum number of securities to be issued or the formula: 1,500,000 Options and each Option will be exercisable for one Share.
- (iii) The date by which the entity will issue the securities: within one month after the Meeting, at Completion of the Proposed Transactions.
- (iv) If the person is not a director, a statement of the relationship between the person and the director: Dr Ramesh will become a Director.
- (v) The Options will be issued for nil cash consideration.
- (vi) A voting exclusion statement applies to this Resolution and it is included in the proposed Resolution in the Notice of Meeting.

- (vii) No funds will be raised through the issue of the Options.

Resolutions 3(a) and 3(b) are separate ordinary resolutions and are subject to each of Resolutions 1, 2 and 7 being passed.

The Board unanimously recommends that Shareholders vote in favour of Resolutions 3(a) and 3(b).

3.3 Resolution 4 - Approval to amend a material term of the Employee Share Option Plan

Listing Rule 7.1 imposes a restriction on the number of Equity Securities issued without shareholder approval during the 12 month period, if the number of these securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period (**15% Placement Capacity**). Listing Rule 7.4 provides that an issue of Equity Securities can be treated as having been made with shareholder approval for the purposes of Listing Rule 7.1 if the holders of ordinary securities subsequently approve it and the issue did not breach Listing Rule 7.1 at the time of the issue.

The number of Equity Securities which are allowed to be issued without shareholder approval is calculated in the following formula under Listing Rule 7.1 (**7.1 Formula**).

(A x B) - C

Where:

A is the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement:

- plus the number of shares issued in the previous 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid shares that became fully paid in the 12 months;
- plus the number of shares issued in the previous 12 months with approval of Shareholders under Listing Rules 7.1 and 7.4; and
- less the number of shares cancelled in the previous 12 months.

B is 15%

C is the number of Equity Securities issued or agreed to be issued in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

One of the exceptions to Listing Rule 7.1 (as set out in Listing Rule 7.2) is Exception 9(b). The relevant exception applies where an issue of Equity Securities is made under an employee incentive scheme if, within the three years before the date of the issue, shareholders have approved the issue under the employee incentive scheme as an exception to Listing Rule 7.1.

Resolution 4 seeks Shareholder approval to amend the ESOP, which was approved by Shareholders at the general meeting held on 17 November 2015. Under the ESOP, the maximum number of Options that can be issued must not exceed 5% of the total number of Shares then on issue.

Given the significant increase in the number of employees upon Completion of the Proposed Transactions, it is proposed that the capacity to issue Options under the ESOP will need to be increased from 5% to 6% of the total number of Shares then on issue. The ESOP, with the increased capacity, will assist the Company in attracting, retaining and motivating employees and officers of the Merged Group.

(a) *Summary of the Company's current ESOP*

Eligible employees and other such persons that the Directors see fit will be eligible to participate in the ESOP. The allocation of options to each employee is in the discretion of the Board having regard to skills, experience, length of service, remuneration level and such other criteria as the Directors consider appropriate in the circumstances. Options may be offered under the ESOP without a prospectus but must not exceed 5% of the then current number of Shares on issue.

The Options will be issued for nil consideration and generally are not transferable. The exercise price of the Options shall be as the Directors in their absolute discretion determine, provided that it shall not be less than 80% of the average market price of the Shares in the 5 days in which sales in the Shares were recorded immediately preceding the day on which the Directors resolve to offer the Options.

At all times during which eligible employees may subscribe for or purchase Shares upon exercise of an Option issued pursuant to the ESOP, the Company shall provide, within a reasonable period of a request by eligible employees, the current market price of the Shares.

The ESOP shall be administered by the Directors who shall have power to determine appropriate procedures for administration of the ESOP, resolve all questions of fact or interpretation or dispute in connection with the ESOP and delegate to any or more persons for such period and on such conditions as it may determine the exercise of any of the Directors' powers or discretions arising under the ESOP.

(b) *The number of Options issued under the ESOP*

There have been 11,617,946 Options granted under the ESOP and 1,300,000 of those Options have been exercised as at the date of this Notice of Meeting. The ESOP is administered by the Board in accordance with the rules of the ESOP and the rules are subject to the Listing Rules.

Resolution 4 is an ordinary resolution and is subject to each of Resolutions 1, 2 and 7 being passed.

The Board unanimously recommends that Shareholders vote in favour of this Resolution

3.4 Resolution 5 - Approval of Increase in the Maximum Aggregate Remuneration for Non-Executive Directors

As described above, it is intended to increase the size of the Board from five to seven, subject to the passing of Resolutions 1, 2 and 7 and the election of Dr Ramesh.

Shareholder approval is being sought to increase the maximum aggregate annual amount available for payment as remuneration to the non-executive Directors of the Company by \$500,000, from \$500,000 to \$1,000,000 per annum.

In accordance with Clause 4.6(b) of the Company's constitution and for the purposes of Listing Rule 10.17, the maximum aggregate amount payable as remuneration to all non-executive Directors of the Company in any year may not exceed an amount (**NED Fee Pool**) determined by shareholders from time to time at a general meeting.

The Company's non-executive Directors are remunerated for their services from the NED Fee Pool, which is currently \$500,000 per annum. Unlike the executive Directors, the non-executive Directors are not eligible to receive bonus payments. Upon Completion of the Proposed Transactions, the

Company will have significantly expanded international operations, which will result in increasing demands on non-executive Directors in terms of their responsibilities and time commitments.

The Company will also have a greater number of non-executive Directors, as it is proposed that Dr Ramesh will be appointed as a non-executive Director at the completion of the Proposed Transactions. Dr Ramesh brings diverse skills and deep commercial and board experience to the Company, drawing from areas such as engineering and water technology.

In this context, the Board is seeking shareholder approval to increase the NED Fee Pool for the following reasons:

- (a) to remunerate the non-executive Directors reasonably and fairly for their services;
- (b) to ensure the NED Fee Pool can accommodate an additional non-executive Director being appointed to the Board; and
- (c) to enable the Company to maintain remuneration arrangements that are market-competitive, so it can attract and retain high calibre individuals as non-executive Directors.

In deciding to seek shareholder approval for the increase to the NED Fee Pool, a review was undertaken of the prevailing levels of non-executive Director remuneration. The amount of the increase and the percentage of the increase to the NED Fee Pool for the non-executive Directors are not excessive and are consistent with the market practice.

Although an increase in the NED Fee Pool is being sought, it does not mean that the full amount will be used. Also, it is emphasised that the NED Fee Pool is a maximum annual limit and does not indicate that fees will necessarily be increased accordingly to that limit. Full details of the remuneration arrangements applicable to non-executive Directors will be set out in the Company's annual remuneration report, which must be submitted for adoption by resolution of shareholders at every annual general meeting.

The Directors, who have a personal interest in the subject of Resolution 5, have abstained from making a recommendation to shareholders in relation to this resolution.

Resolution 5 is an ordinary resolution and is subject to each of Resolutions 1, 2 and 7 being passed.

The Board unanimously recommends that Shareholders vote in favour of this Resolution.

3.5 Resolution 6 – Approval of Issue of Options to Directors

The Board has approved, subject to Shareholder approval, the issue of a total of 7.5 million Options to the Directors of the Company in connection with the Proposed Transactions.

Listing Rule 10.11 requires a company to obtain shareholder approval prior to the issue of Equity Securities to a related party of the company. For the purposes of Listing Rule 10.11, a "related party" includes a Director of the Company.

Furthermore, Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. There are a number of exceptions to Listing Rule 7.1 under Listing Rule 7.2, including Exception 14, which provides that approval under Listing Rule 7.1 is not required if the issue is made with the approval of shareholders under Listing Rule 10.11. Accordingly, as Shareholder approval of the issue of Options to the Directors is being sought under Listing Rule 10.11, approval is not also required under Listing Rule 7.1.

The issue of the Options to the Directors would also be related party transactions under Chapter 2E of the Corporations Act. Giving a financial benefit to a related party requires shareholder approval under section 208 of the Corporations Act unless an exception to that requirement is available. Under section 211 of the Corporations Act, shareholder approval is not required if the financial benefit is remuneration to the related party and to give the remuneration would be reasonable given the circumstances of the company and the related party (including their responsibilities).

Having considered the circumstances, the Board is of the view that the proposed issue of the Options under Resolution 6 forms part of the Directors' reasonable remuneration. The Company will experience a significant expansion in its operations and the size of its business if the Proposed Transactions are completed. The issue of the Options in Resolution 6 will compensate the Directors for their work in the past and will provide them with an incentive to continue to improve management performance by participating in the future growth and prosperity of the Company through equity ownership.

For the purposes of and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of Options to the Directors.

Director	Number of Options	Exercise Price	Vesting Period	Expiry Date
Richard Irving	2,000,000	1,000,000 Options with an exercise price of \$1.20 1,000,000 Options with an exercise price of \$1.50	2 years from the date of grant	4 years from the date of grant
Ross Haghighat	1,500,000	750,000 Options with an exercise price of \$1.20 750,000 Options with an exercise price of \$1.50	2 years from the date of grant	4 years from the date of grant
Peter Marks	1,500,000	750,000 Options with an exercise price of \$1.20 750,000 Options with an exercise price of \$1.50	2 years from the date of grant	4 years from the date of grant
Robert Wale	1,500,000	750,000 Options with an exercise price of \$1.20 750,000 Options with an exercise price of \$1.50	2 years from the date of grant	4 years from the date of grant
Eytan Levy	1,000,000	500,000 Options with an exercise price of \$1.20 500,000 Options with an exercise price of \$1.50	2 years from the date of grant	4 years from the date of grant

- (a) The maximum number of securities to be issued is set out above. Each Option will be exercisable for one Share.
- (b) The Options will be issued as soon as possible, but in any event not more than 1 month after the date of the Meeting.

- (c) Messrs Richard Irving, Ross Haghighat, Peter Marks, Robert Wale and Eytan Levy are the Directors of the Company.
- (d) The Options will be issued for nil cash consideration.
- (e) A voting exclusion statement applies to this Resolution and it is included in the proposed Resolutions in the Notice of Annual General Meeting.
- (f) No funds will be raised through the issue of the Options.

All of the Resolutions in Resolution 6 are separate ordinary resolutions.

The Board unanimously recommends that Shareholders vote in favour of all of the Resolutions in Resolution 6.

3.6 Resolution 8 –Approval of Potential Termination Benefits to Mr Henry J. Charrabé and Astaris SAS

(a) *Background and legal requirements under the Corporations Act and ASX Listing Rules*

Under section 200B of the Corporations Act, the Company must not give a person a benefit in connection with the person's retirement from an office, or position of employment, in the Company if:

- the office or position is a managerial or executive office; or
- the person has, at any time during the last three years before their retirement, held a managerial or executive office in the Company,

unless shareholder approval is obtained under section 200E of the Corporations Act for the giving of the benefit (or if a specified exception applies).

A "benefit" is defined broadly in the Corporations Act to include a payment or other valuable consideration. It also includes the accelerated or automatic vesting of share-based payments on or as a result of retirement from an office or position, a payment made in lieu of giving of notice of termination and a payment that is made as part of a restrictive covenant, restraint-of-trade clause or non-compete clause.

Also, the "benefit" does not have to be directly given to the relevant person who has held a managerial or executive office. If the benefits are given through an entity controlled by the person or a third party, the benefits are deemed to be given "in connection with the retirement of the person from an office or position" under section 200A(2) and therefore require shareholder approval under 200B.

There are exceptions for the provision of certain kinds of benefits, such as statutory entitlements to accrued annual and long service leave and certain benefits within a monetary cap. This monetary cap is, in broad terms, equivalent to one year's annual average base salary of the relevant person over the period during which that person held a managerial or executive office (up to a period of three years).

In addition, ASX Listing Rule 10.19 provides that a listed company must ensure that no officer of the company or its child entities⁸ will be, or may be, entitled to termination benefits

⁸ ASX Listing Rule 19.12 defines a "child entity" as any entity which is controlled by the company within the meaning of section 50AA of the Corporations Act, or a subsidiary of the company.

without shareholder approval first being obtained prior to payment if the value of those termination benefits that are or may become payable to all officers together exceeds 5% of the equity interests of the company as set out in the latest annual accounts given to ASX.

If a termination benefit is given in excess of what is permitted under the Corporations Act or ASX Listing Rules, a breach of the Corporations Act or Listing Rules can occur even if the person receiving the benefit is entitled to the benefit under their contractual arrangements with the Company.

Having regard to the potentially wide application of the restriction under section 200B of the Corporations Act and Listing Rule 10.19, the Board considers it to be appropriate and prudent to seek shareholder approval under sections 200B and 200E of the Corporations Act and Listing Rule 10.19, so that termination benefits may be paid or provided to officers who have held a managerial or executive office without breach of the Corporations Act or ASX Listing Rules.

(b) *What is the value of the potential termination benefits?*

Resolution 8(a) seeks shareholder approval for termination benefits that may be provided to Mr Charrabé under the CEO Employment Agreement. Similarly, Resolution 8(b) seeks shareholder approval for termination benefits that may be provided to Astaris SAS, which will be providing the services of Mr Philippe Laval under the Astaris Consulting Agreements.

Under section 200E of the Corporations Act, when seeking shareholder approval of a termination benefit, shareholders must be given details of the amount or value of the proposed payment or benefit, or if that amount or value cannot be ascertained at the time of disclosure, the manner in which that amount or value is to be calculated and any matter, event or circumstance that will, or is likely to, affect the calculation of that amount or value.

The amount and value of the termination benefits that may be provided to Mr Charrabé or Mr Laval (through Astaris SAS) cannot be ascertained in advance. This is because various matters, events and circumstances (including the manner in which the individual retires from their role, the length of time they have been in their role, fluctuations in the Company's share price and the exercise of discretions by the Board or committee of the Board), some of which have not yet occurred (or may never occur) or are not within the Company's control, will or are likely to affect the calculation of the amount or value.

Annexure C and Annexure D set out a description of the amount or value of the potential benefits that may be payable to Mr Charrabé and Mr Laval (through Astaris SAS), respectively, and the matters, events and circumstances that will affect whether any particular amount or other benefit will be paid.

Shareholder approval is being sought to allow the provision of all benefits under the Company's remuneration framework which may be defined as termination benefits for the purposes of the Corporations Act and ASX Listing Rules and which are set out in this Explanatory Memorandum. Therefore, the amount and value of the benefits for which shareholder approval is being sought under Resolutions 8(a) and 8(b) is the maximum amount or value of the benefits that could be provided to Mr Charrabé and Mr Laval (through Astaris SAS) in connection with any of them ceasing to hold an office, or position of employment, in the Company.

(c) *Effect of the Approval*

If shareholder approval is given to Resolutions 8(a) and 8(b), then the Company will be able to provide termination benefits to Mr Charrabé and Mr Laval (through Astaris SAS) up to the

maximum type, amount and value described in this Explanatory Memorandum (including in Annexure C and Annexure D).

Resolutions 8(a) and 8(b) are separate ordinary resolutions and each is subject to each of Resolutions 1, 2 and 7 being passed.

The Board unanimously recommends that Shareholders vote in favour of Resolutions 8(a) and 8(b).

3.7 Resolution 9 - Refreshment of Placement Capacity through Ratification and Approval of Previous Issue of Options in reliance on Listing Rule 7.1

On 31 May 2017, the Company issued a total of 11,191,336 Options (**CEO Options**) to Mr Henry J Charrabé (proposed Managing Director and Chief Executive Officer of the Merged Group) with vesting conditions including Completion of the merger by the acquisition of RWL. In order to refresh the Company's ability under Listing Rule 7.1 to issue Equity Securities without obtaining Shareholder approval, Shareholders are asked to ratify and approve the issue of these Options for the purposes of Listing Rule 7.4.

As described above in relation to Resolution 4, Listing Rule 7.1 imposes a restriction on the number of Equity Securities issued without shareholder approval.

The passing of Resolution 9 will result in the 11,191,336 CEO Options being included in **A** in the 7.1 Formula and will also refresh the Company's 15% Placement Capacity under Listing Rule 7.1 in respect of that number of Equity Securities, by enabling the Company going forward, in reliance on Listing Rule 7.1, to issue 11,191,336 additional Equity Securities without Shareholder approval.

Ratification will provide the Company with flexibility in capital management and allows the Company to make further issues of Shares for working capital or other purposes as required, including to fund the purchase price for an acquisition, or the working capital requirements of the acquired company or business, wholly or partly through the issue of Equity Securities.

In accordance with Listing Rule 7.5, the following information is provided in relation to the Options that were issued under the 15% Placement Capacity:

- (a) the number of securities issued: 11,191,336 Options.
- (b) the price at which the Options were issued: Nil.
- (c) the terms of the Options to be issued:

The CEO Options will become exercisable only if Completion occurs, and the exercise price is the closing market price of the Shares as of the day the CEO Options were issued. The vesting of these Options will be subject to the following conditions.

- (i) 50% of the Options will vest and become exercisable in equal instalments at the end of each consecutive three month period over a four-year period commencing on 26 May 2017, provided that Mr Charrabé continues to be employed by the Company at the end of the relevant three month period.
- (ii) The other 50% of the Options will vest and become exercisable in equal annual instalments at the end of each consecutive 12 month period over a four-year period commencing on 26 May 2017, provided such vesting will be subject to performance criteria established by the Board, in good faith consultation with Mr Charrabé.

- (iii) In the event of termination of Mr Charrabé's employment by reason of death or disability, any unvested Options will be immediately accelerated and become exercisable upon the termination.
 - (iv) In the event of termination of Mr Charrabé's employment by the Company without cause or by Mr Charrabé for good reason, if the termination occurs during his first 2 year term, any Options that would have vested over the remainder of the term plus the next 12 months following the termination will automatically vest and become exercisable. If the termination occurs after that first 2 year term, any Options that would have vested over the 12 months following termination will automatically vest and become exercisable.
 - (v) If a change of control occurs during the course of Mr Charrabé's employment, any unvested Options will be immediately accelerated and become exercisable upon the change in control.
 - (vi) The Options expire eight years from the issue date, although if Mr Charrabé's employment is terminated, all of the Options (whether vested or unvested) will lapse 60 days after that termination.
- (d) the names of the allottees or the basis on which allottees of the Shares are determined: Mr Henry J Charrabé.
- (e) the use (or intended use) of the funds raised): No funds will be raised through the issue of the Options.

Resolution 9 is an ordinary resolution and is subject to each of Resolutions 1, 2 and 7 being passed.

The Board unanimously recommends that Shareholders vote in favour of this Resolution.

3.8 Resolution 10 - Change of company name

Given the Company's expanding operations, it is proposed that the Company change its name from Emefcy Group Limited to 'Fluence Corporation Limited'. The Board has approved this change of name subject to the approval by Shareholders.

This resolution is a special resolution and requires approval of 75% or more of all votes cast by shareholders present and eligible to vote (whether in person, by proxy, by attorney or by corporate representative).

If Resolution 10 is passed, the change of name will take effect when ASIC alters the details of the Company's registration in accordance with section 157(3) of the Corporations Act. The Board will also request that ASX change the Company's ASX listing code from "EMC" to "FLC" after the change of name takes effect. The ASX listing code "FLC" has been reserved by the Company.

In addition, all references to Emefcy Group Limited in the Company's constitution will be replaced with references to 'Fluence Corporation Limited' in accordance with section 136(2) of the Corporations Act.

Resolution 10 is a special resolution and is subject to each of Resolutions 1, 2 and 7 being passed.

The Board unanimously recommends that Shareholders vote in favour of this Resolution.

4 REASONS FOR AND AGAINST THE PROPOSED TRANSACTIONS

4.1 Why you should vote in favour of the Proposed Transactions

The Company believes that the Proposed Transactions will provide a number of important advantages for the Company. These advantages include the following.

(a) *Strategic alliance showing progress*

On 30 March 2017, the Company announced a strategic alliance with RWL Water Group enlisting RWL Water Group's engineering expertise in designing and producing a range of packaged solutions, in order to enable the Company to offer its Chinese strategic distribution partners a spectrum of solutions including easy-to-ship and install modular solutions, packaged or kitted plants and fully containerised plug-and-play plants. The strategic alliance has already shown encouraging progress to date with the shipment of packaged demonstration plants produced at RWL Water Group's manufacturing facility in Israel to two of the Company's Chinese strategic partners.

(b) *Strategic expansion and growth*

The Directors believe that RWL Water Group is a natural and synergistic fit for the Company and the Proposed Transactions presents significant advantages by strategically expanding the Company's existing wastewater treatment business. The Merged Group will present Shareholders with an opportunity to invest in a business with a greater diversity of products, services and end-market, and also experience growth in the value of Shares and market capitalisation.

RWL Water Group also brings a recognised and respected brand which the Merged Group can leverage, with more than 7,000 reference sites and strong customer references in more than 70 countries.

(c) *Immediate cash injection to fund expansion and growth*

Completion of the Proposed Transactions will provide the Company with a significant cash injection to fund the expansion and growth of the Merged Group at a more rapid rate than otherwise would likely be the case. The Board believes that, with the strengthened balance sheet, the Merged Group will be able to meet operating expenses without compromising its strategic expansion and growth.

(d) *Introduction of a strategic and financially robust cornerstone investor*

As a result of the Proposed Transactions, Mr Lauder (through his controlled entity, the Seller) will control approximately 34% of the share capital of the Merged Group upon Completion. Non-associated Shareholders may be able to participate in any benefits that may be realised from these successes.

(e) *Access to engineering expertise in designing and producing a range of plant solutions*

RWL Water Group has developed its engineering expertise over the years of designing, producing and deploying scalable water treatment solutions which, in particular, incorporate adapted shipping containers. This capability will enable the Merged Group to offer its strategic distribution partners a diverse range of solutions, including easy-to-ship-and-install modular solutions, packaged or kitted plants, or fully containerised plug-and-play plants. These scalable solutions will provide the flexibility to meet varying requirements for waste

water treatment in remote places, thereby increasing the Merged Group's ability to capture additional market share (for example, in China) in jurisdictions with significant market opportunity. RWL Water Group's expertise may also accelerate the Company's development of a complete, standardised packaged treatment solutions for China.

(f) *Enhanced services and sales offerings*

RWL Water Group brings a strong global platform to the Merged Group in order to offer its services and products around the world. RWL Water Group also brings highly complementary products to the Company's, allowing the Merged Group to service clients across the full water cycle value chain. The Merged Group will also allow for cross-sell and up-sell through the existing clients and RWL Water Group's customer bases. In addition, the Merged Group will be able to combine engineering resources and project management skills which RWL Water Group has developed with the Company's technical capabilities. Accordingly, the Merged Group may be able to create high volume modular wastewater solutions and products and to achieve lower costs, higher margin projects, high volume product sales and positive earnings.

(g) *Geographical diversity and scale of the Merged Group*

The Proposed Transactions present an opportunity for the Company to diversify its business to include different geographical areas and participate in a BOT project such as the Mexico BOT Project. The Company expects the Merged Group expects to develop its business in the growing Latin American markets, as well as Israel, Italy and Middle East. These areas will supplement the Company's emerging distribution channels in China. With a broader customer base in diverse geographical areas, the Merged Group is better placed to deal with variation in demand and respond to industry trends.

In addition, the Merged Group will have the scale and financial strength to accelerate its growth. The Merged Group will benefit from economies of scale and create complementary growth opportunities across its business. In the current market environment, there appears a greater likelihood of creating shareholder value by expanding the Company's business scale and diversifying its assets and services.

(h) *Highly experienced board and management teams*

RWL Water Group is run by a highly-experienced management team and board. Executive officers in RWL Water Group are capable executive officers with expertise in water solutions markets in their geographies and a clear strategic vision and an understanding of how to build systems and processes. The addition of these officers to the management team and the Merged Group Board will provide additional experience and skills to guide the development of the Merged Group.

In addition, the Merged Group will be able to leverage group benefits through cross-promoting skills and products based on highly experienced management teams.

4.2 Why you might vote against the Resolutions to approve the Proposed Transactions

(a) *Dilution of current shareholdings*

The issue of the Consideration Shares and the Placement Shares will dilute current Shareholders. The effect of the Proposed Transactions on the equity position of the Company is set out in Section 6.2 of this Explanatory Memorandum. The Directors believe that dilution of shareholdings will be offset at least in part by the increased size of the

Company with the additional opportunities likely to be available to the Company as a result of the Proposed Transactions.

(b) *Significant change in scale and risk profile*

The Proposed Transactions will make significant changes to the Company's business and risk profiles. This change may not be consistent with the investment objectives and risk appetites of all Shareholders.

(c) *Potential for the Seller to exercise significant influence on the operations of the Company*

If Shareholders approve the Resolutions in relation to the Proposed Transactions and the Company issues the Consideration Shares and the Placement Shares to the Seller (or its Related Bodies Corporate), the Voting Power of the Seller (and its Related Bodies Corporate) will increase from nil to approximately 34%. As a result, the Seller (and its Related Bodies Corporate) will be able to vote the stake it holds (subject to all applicable laws) in relation to matters requiring shareholder approval, including the election of directors, significant corporate transactions and certain issues of equity securities.

In this regard, the Seller's interests may not always be aligned with these of other Shareholders. For discussions regarding the potential increase in the Voting Power of the Seller (and its Related Bodies Corporate) and the control impact on the Company, see sections 3.1 and 6.5 of this Explanatory Memorandum.

(d) *The Company may become a less attractive takeover target*

If the Proposed Transactions proceed, the level of the Seller's interest in the Company is likely to mean that its support for any proposal to acquire the Merged Group will be important for that proposal to be successful. It is, therefore, possible that the presence of Mr Lauder (through the Seller) as a substantial shareholder in the Merged Group may be perceived by the market as reducing the likelihood of a takeover of the Merged Group. This may potentially cause the Shares to trade at a discount to the value at which they would trade if the Seller did not hold its stake in the Merged Group.

(e) *Liquidity of the Shares*

At Completion, the Completion Shares will be issued to the Seller, and will comprise 23.69 % of the issued share capital of the Company. Those Shares (as well as any Holdback Shares that are issued after the Holdback Period), however, will be subject to the Lock-Up Agreement for the 2 year period following Completion. As a result, the Seller's shareholding in the Company will reduce the free float of the Shares (on a percentage basis) and may reduce the liquidity from current levels. It is possible the relatively low free float could negatively impact future liquidity of the Shares in the Merged Group. The effect of the Lock-Up Agreement, however, will be alleviated when the Consideration Shares that will be subject to voluntary escrow are released from escrow. In addition, sales of the Consideration Shares in the future by the Seller may result in movements in the share price of the Shares.

Nevertheless, it is also possible that the strengthening in the Merged Group's financial position as a result of the issue of the Placement Shares and the increased market capitalisation may in fact result in an increased level of liquidity in the Shares after Completion.

(f) *Assumption of RWL liabilities*

On Completion, the liabilities of RWL will become liabilities of the Merged Group, including legal, tax, environmental and regulatory liabilities for which the Company may not be indemnified (or adequately indemnified).

The Sale and Purchase Agreement contains a number of representations, warranties and indemnities in favour of the Company, subject to certain limitations. While the Company can bring a claim against the Seller based on the indemnities given in favour of the Company, the maximum recourse the Company can have is limited to the Consideration Shares (or, under certain circumstances, the net proceeds of sales of Consideration Shares) and the Company's remedy under the indemnities for any breach of general business warranties in respect of RWL Water Group will be limited to a reduction in the number of Holdback Shares it will be required to issue. Except in very limited circumstances, the Company is unlikely to receive any cash amounts from the Seller to cover any liabilities incurred by the Company as a result of the Proposed Transactions.

Any material unsatisfied warranty or indemnity claims could adversely affect the Merged Group.

(g) *Risk factors associated with the Proposed Transactions*

There are a number of risk factors associated with the Proposed Transactions and some of those risk factors are outlined in Section 4.3. If the Proposed Transactions proceed, Shareholders will become exposed to additional risks specific to the Merged Group.

(h) *No payment of control premium*

Upon successful Completion of the Proposed Transactions, the Seller will control approximately 34% of the share capital of the Merged Group without paying a control premium.

4.3 Risks Factors

There are general risks which may have an adverse impact on the Company's operations irrespective of whether the Company implements the Proposed Transactions or not. These risks include general economic risks, regulatory risks, exchange rate risks and share price volatility risks. There are other general investment risks many of which are largely beyond the control of the Company and difficult to predict or anticipate.

In addition to these general risks, the Company may be faced with specific risks if the Proposed Transactions are completed. The Board aims to manage these risks by carefully planning the Company's activities and implementing risk control measures. However, as noted above, some of the risks identified are highly unpredictable and the extent to which the Company is able to effectively manage them may be limited.

The following risk factors are not intended to be an exhaustive list of the risk factors to which the Company is exposed or will, following completion of the Proposed Transactions, be exposed. These risk factors should be taken into account in your voting decisions.

(a) *Reliance on RWL Information provided by the Seller*

The information regarding RWL Water Group in this Explanatory Memorandum and on which the Company has relied in relation to the Proposed Transactions has been derived from

information made available to the Company by or on behalf of the Seller and RWL Water Group during the due diligence process conducted by the Company.

While the Company has conducted due diligence on RWL Water Group, and prepared a detailed financial analysis of RWL Water Group in order to determine the attractiveness of the RWL Business, the Company is unable to verify the accuracy or completeness of the information provided to it by or on behalf of the Seller and there is no assurance that this due diligence was conclusive and that all material issues and risks in relation to the Proposed Transactions and RWL Water Group have been identified.

To the extent that this information is incomplete, incorrect, inaccurate or misleading, or the actual results achieved by RWL Water Group are weaker than those indicated by the Company's analysis, there is a risk that the profitability and future results of the operations of the Merged Group may differ (including in a materially adverse way) from the Company's expectations as reflected in this Explanatory Memorandum, or that additional liabilities may emerge.

(b) *Advantages may not be realised*

The advantages outlined in Section 4.1 above include forward looking statements. Such statements are only predictions and are subject to inherent risks and uncertainties. These risks and uncertainties include factors and risks specific to the wastewater treatment industry as well as other general economic conditions. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

(c) *PDVSA Agreement in Venezuela*

The current contract value of the PDVSA Agreement is US\$95,545,000, all of which was prepaid in advance. The PDVSA Agreement is the biggest project that RWL Water Group has entered into to date. RWL Argentina has taken operational and legal steps necessary to mitigate potential contractual exposures in light of the reduction of the original contract. RWL Argentina and the customer continue to have constructive negotiations with respect to establishing a project timeline and acceptance and processing of outstanding invoices and documents regarding certain additional costs. Given the political uncertainty in Venezuela, a favourable outcome with respect to outstanding invoices (which represent a relatively minor portion of entire contract value) and/or full completion of the project cannot guaranteed.

(d) *San Quintin BOT Project in Mexico*

The San Quintin BOT project is subject to reaching financial closure. While RWL is taking all necessary steps to ensure, and expects, financial closure, there is no guarantee that financial closure will occur. If it does not occur the project will be cancelled. In this event, the financial exposure will be limited to expenses incurred to date.

(e) *Contract risk*

A large proportion of the Merged Group revenue will be derived from contracts which are generally awarded following a competitive tender process where price is one of the most important factors that a customer will consider in evaluating tenders. Even for those projects that are not put out to tender, there will still be a negotiation on the pricing of the contract with the customer. In determining the price or other terms on which the Merged Group going forward will submit a tender or otherwise propose to a potential customer, the Merged Group will undertake modelling of the contract pricing based on a series of assumptions about a range of factors such as the type and amount of equipment to be deployed, length of contract, site location, consumables expenditure, the amount of labour required to support

the project and labour productivity levels.] If any of the assumptions made during the modelling subsequently turns out to be materially incorrect, the Merged Group could be locked into a contract with unfavourable economics that could adversely affect margins and results of operations. The Merged Group may have no right to renegotiate the contract with the customer even if the economics of a contract become unfavourable.

A proportion of the Merged Group's revenue will also depend on winning new contracts where the tender process and timing for performing these contracts are not within our control. The Merged Group will also be subject to the risk of cancellations from its customer from time to time. The Merged Group's performance and cash flows may fluctuate from quarter to quarter depending on the timing and size of new contract awards and delays or cancellations.

(f) *Integration risk*

The Proposed Transactions involves bringing two water treatment businesses together, which may have different corporate cultures systems and procedures. Additionally, RWL Water Group adds complexity to the Merged Group given the number of subsidiaries in multiple jurisdictions. The integration process may take longer than anticipated, may result in fewer synergies than expected and may have significant one-time restructuring charges and unanticipated costs. It will require significant cultural transformation to combine the Company and RWL Water Group into one business. If successful transformation is not achieved, it will pose a high risk to the Merged Group.

(g) *Operating costs exceeding expected budgets*

The Merged Group will have expanded businesses in various geographical areas. The operating costs in streamlining the businesses of the Company and RWL Water Group, improving financial reporting and integrating operations into the Merged Group may exceed the expected budgets. This may strain the financial position of the Merged Group.

(h) *Ongoing funding of the Business*

The integration of two existing businesses and expansion into new geographical markets will consume cash and the cash burn rate may exceed the Merged Group's revenue for at least the short to medium term. In addition, the projects and plans of the Company may go over budget and create difficulties in funding the Merged Group. This may result in the need for significant funding. While the proposed issue of the Placement Shares would significantly alleviate these funding concerns, there is no assurance that future funding will not be required and when it is, required funding will be available on satisfactory terms. If the Merged Group is unable to obtain additional funding as needed, it may have to reduce the scope of its businesses and operations and scale back its development projects, which may adversely affect the business and financial condition of the Merged Group and its performance.

(i) *Retention of Employees*

Any business is reliant upon a number of key senior management staff including executive officers, regional managers and engineers. The loss of key staff could have an adverse impact on the performance of the Merged Group.

In addition, the Proposed Transactions will involve the transfer of a significant number of employees, and some consultants to the Merged Group. Any inability of the Merged Group to integrate and/or retain the new employees and consultants may also have an adverse impact on the Merged Group's performance.

The Merged Group has made offers of employment to key executives of RWL Water Group to take effect at Completion of the Proposed Transactions. However, there is a possibility that certain essential staff may not be successfully transferred to the Merged Group. In this case, the Merged Group may suffer detriment as a consequence of those staff being unavailable to support the integration of the businesses of the Company and RWL Water Group.

(j) *Country risks*

The businesses of RWL Water Group stretch across various jurisdictions including Venezuela, Mexico, Argentina, South Africa, Columbia and Peru. These countries are understood to be susceptible to geopolitical and regulatory risks. If these risks eventuate it will adversely affect the Merged Group.

Additionally, the Chinese market is a focus for the Merged Group and any changes on the Chinese government's stance towards environmental targets (especially the China 5 Year Plan) will have a significant adverse impact on the Merged Group's expected performance.

(k) *Business strategy risks*

The Merged Group's strategy to expand its businesses with recurring revenue streams and offer diversified products and services may be affected by a range of factors. The water solutions market is very competitive with many market participants world-wide. Winning a project with reasonable margins may be difficult. Also, there is significant effort and overhead in bidding for projects, including submitting tenders, negotiating contracts and arranging letters of credit and insurance. Even if a big project is obtained, contracts may be cancelled or suspended. Therefore there is a risk that the Merged Group's business strategy may not generate the expected revenue streams.

(l) *Downturn of economy in markets in which the Merged Group operates*

Any downturn in the economy in which the Merged Group, or its customers, operates could result in a reduction in demand for the Merged Group's products and services. This may materially adversely affect the Merged Group's businesses and financial performance.

(m) *Historical financial information and pro forma combined financial information*

The historical financial information included in this document may not be representative of future performance. The pro forma combined financial information included in this document may not reflect what the Merged Group's performance would have been, if it had been a combined entity during the periods presented. The pro forma combined financial information presented is based on various assumptions, and we cannot assure that these assumptions will prove to be accurate over time or continue to apply in the future.

4.4 Consequences if the Proposed Transactions Do Not Proceed

If the Proposed Transactions do not proceed:

(a) *No change to business, scale and management*

There will be no change to the Company's business, management team, or scale of the business.

(b) *No dilution of existing Shareholders*

The proposed issue of the Consideration Shares and the Placement Shares will not occur and as a result there will be no corresponding dilution of existing Shareholders.

(c) *Decline in share price*

If the Proposed Transactions do not proceed, the Share price may fall lower than the share price at the time of the announcement of the Proposed Transactions (this risk may also be impacted by equity market volatility).

(d) *Costs*

The Company will also have incurred various costs associated with the Proposed Transactions for conducting legal and financial due diligence on RWL Water Group as well as preparing this Explanatory Memorandum. However, the costs incurred might be lower than implementation costs to be incurred if the Proposed Transactions proceed.

(e) *Future growth*

It may be difficult to find the appropriate acquisition target which is in line with the Company's long term strategy and business. Further, similar opportunities that offer synergistic goodwill may be limited.

(f) *Limited new opportunities*

The Company may be restrained by limited funds in funding and securing new business opportunities.

5 SUMMARY OF TRANSACTION DOCUMENTS

5.1 Summary of Sale And Purchase Agreement

The following is a summary of the key terms of the Sale and Purchase Agreement.

(a) *Conditions Precedent*

There are a number of conditions that are required to be satisfied (or waived) in order for Completion of the Proposed Transactions to take place, including:

- (i) the Company's Shareholders approving the acquisition of the LLC Interests and the issue of the Consideration Shares to the Seller at the Meeting;
- (ii) the appointment by the Board of Mr Charrabé as Managing Director of the Company;
- (iii) Shareholders approving the appointment of Dr Ramesh as a non-executive director of the Company;
- (iv) the Company having obtained a waiver from ASIC relating to section 606 of the Corporations Act due to the escrow arrangements over the Shares subject to the Lock-Up Agreement; and
- (v) the execution and delivery to the Company of the Lock-Up Agreement (described in Section (c) below) by the Seller.

(b) *Consideration Shares*

In consideration for the acquisition of the LLC Interests, the Company will issue to the Seller the Consideration Shares and pay to the Seller the Completion Cash Consideration.

Upon Completion, the Company will issue 80% of the Consideration Shares. 20% of the Consideration Shares will be held back for the Holdback Period in order to satisfy claims, if any, that arise from the indemnities given to the Company under the Sale and Purchase Agreement. After the Holdback Period ends, the Company will issue to the Seller such number of Holdback Shares as the Seller is entitled to receive after any reduction or deferral as required under the Sale and Purchase Agreement.

(c) *Lock-Up Agreement*

The Seller has agreed to certain restrictions being applied to the Consideration Shares and will enter into the Lock-Up Agreement with the Company. The Lock-Up Agreement restricts the Seller from selling, transferring or otherwise disposing of any Consideration Shares for a two-year period commencing on Completion (except in the specific circumstances described in the Sale and Purchase Agreement or if there is a takeover bid or merger by way of a scheme of arrangement under the circumstances described in ASX Listing Rule 9.18) in accordance with the terms and conditions set out in the Sale and Purchase Agreement.

(d) *Cash sufficiency requirements and target stock value*

The Seller has agreed to ensure that RWL Water Group will have US\$1,300,000 in cash or cash equivalents (i.e. any asset that is easily and readily convertible into a known amount of cash) at Completion to pay certain selling, general and administrative expenses (**SG&A**) after Completion.

The Seller has also agreed to cover any debt of RWL Water Group (excluding specified permitted debt) outstanding at Completion and any net payables shortfall with respect to the month following Completion and to ensure a target stock value.

A stocktake of RWL Water Group is to be completed to determine the amount of stock of RWL Water Group as at the Business Day immediately before Completion.

After the Completion, a reciprocal purchase price adjustment is to be made taking into account such debt of the Company at Completion, the amount of such net payables (which may be a positive or negative amount), the US\$1,300,000 SG&A amount and, subject to a US\$500,000 cushion up or down, the target stock value.

(e) *Conduct before Completion*

In the period between execution of the Sale and Purchase Agreement and Completion, the Seller is required to ensure that the RWL Business is conducted in all material respects in the ordinary and usual course, having regard to the nature of the RWL Business and past practice. The Seller must not, and must ensure each member of RWL Water Group does not, undertake certain actions prescribed in the Sale and Purchase Agreement prior to Completion without obtaining the Company's prior consent, including issuing any equity interest or rights in respect of any equity interest in each entity in RWL Water Group.

The Company is subject to similar obligations in the period between execution of the Sale and Purchase Agreement and Completion. The Company is required to ensure that the Company group is conducted in all material respects in the ordinary and usual course, having regard to the nature of the business of the Company and past practice. The Company must not, and must ensure each member of the Company group does not, undertake certain actions prescribed in the Sale and Purchase Agreement prior to Completion without obtaining the Seller's prior consent, including issuing any equity interest or rights in respect of any equity interest in each entity in the Company's group (with some specified exceptions).

(f) *Seller Warranties and Company Warranties*

The Sale and Purchase Agreement includes representations and warranties given by the Seller to the Company (**Seller Warranties**) and representations and warranties given by the Company to the Seller (**Company Warranties**).

The Seller Warranties and the Company Warranties each include warranties in relation to legal status, capacity and authority, capital structure, solvency, compliance with law, tax, debt and financing arrangements, books and records, accounts and other financial matters, related party transactions, insurance, no litigation, material contracts, key projects, conduct of the business, assets, stock, authorisations, leases and property, intellectual property, information technology, environmental matters, anti-bribery and corruption, anti-money laundering and counter-terrorism, employees and superannuation.

Certain Seller Warranties and Company Warranties are determined to be 'Fundamental Warranties'. The Fundamental Warranties include warranties in relation to formation, existence and power and equity interests.

The Seller's maximum aggregate liability for breaches of Seller Warranties which are *not* Fundamental Warranties and most Seller covenants is 20% of the Consideration Shares (in the absence of fraud by the Seller). The maximum aggregate liability for breaches of Seller Warranties (including Fundamental Warranties) and certain Seller covenants and under the indemnity in relation to certain tax matters is 100% of the Consideration Shares (in the absence of fraud by the Seller).

The Purchaser's maximum aggregate liability for breaches of Purchaser Warranties which are *not* Fundamental Warranties and certain Purchaser covenants is 20% of the value of the Consideration Shares at the date the Sale and Purchase Agreement is entered into (in the absence of fraud by the Purchaser). The maximum aggregate liability for breaches of Purchaser Warranties (including Fundamental Warranties) is 100% of the value of the Consideration Shares at the date the Sale and Purchase Agreement is entered into (in the absence of fraud by the Purchaser).

Any liability the Purchaser may have to the Seller for breaches of Purchaser Warranties will be able to be satisfied only through the issuance to the Seller of additional Shares. The issuance of any such additional Shares to the Purchaser will be subject to the Seller's ability to acquire additional Shares without being in breach of section 606 of the Corporations Act (relating to the acquisition of a relevant interest in issued voting shares in a company in a transaction where the person's Voting Power in the company increases from a starting point that is above 20% and below 90%).

In particular, the Purchaser will only be required to issue Shares to the Seller in satisfaction of claims by the Seller for breaches of Purchaser Warranties if the issue can be done under item 9 of section 611 of the Corporations Act (relating to the acquisition of no more than 3% of a company's voting shares in any 6 month period) or item 7 of section 611 of the Corporations Act (relating to obtaining shareholder approval). In addition, any such additional Shares would be issued only if the Company had sufficient availability under its 15% Placement Capacity or if Shareholder approval were obtained under Listing Rule 7.1.

(g) *Indemnities*

Each of the Seller and the Company, respectively, have given each other reciprocal indemnities in relation to a breach of the Seller Warranties or breach of the Company Warranties.

Each of the Seller and the Company, respectively, have given each other indemnities in relation to a breach of Seller covenants or breach of Company covenants.

The Seller has also provided additional indemnities to the Company in relation to certain tax matters.

(h) *Restraint of Trade after Completion*

The Seller has agreed to a restraint under which neither it nor any of its affiliates will, subject to certain exceptions set out in the Sale and Purchase Agreement (including the exception described below):

- (i) engage in a business that competes with or is similar to the RWL Business;

- (ii) solicit or persuade or attempt to solicit or persuade any person who the Seller is at the time aware is a customer of RWL Water Group to stop or reduce its business with RWL Water Group; or
- (iii) induce or persuade or attempt to induce or persuade a senior management employee of Company or its controlled affiliates who is involved in the RWL Business to cease his or her employment.

The restraint period for each of the above restraints is to be two, three, four or five years, depending on whether any of those periods are held by a court to be unreasonable or invalid for any reason, in which case that period will be deleted to the extent necessary for the relevant restraint to be enforceable.

Subject to certain exceptions set out in the Sale and Purchase Agreement, if during the restraint period, the Seller, either directly or through any of its affiliates, wishes to engage in certain projects or business opportunities (excluding certain ongoing operating business enterprises) that compete with or are similar to the business of RWL Water Group in a restraint area, the Seller must first offer to the Company the right to engage in that business or project. If the Company does not notify the Seller that it wishes to engage in that project or business opportunity (or it does provide such notice, but does not reasonably and in good faith promptly and diligently pursue such project or business opportunity), the Seller can thereafter engage in that project or business opportunity without committing a breach of the restraint set out above.

(i) *Termination Rights*

Provided that they are not themselves in default under the Sale and Purchase Agreement, both the Seller and the Company may terminate the Sale and Purchase Agreement before Completion by notice in writing if:

- (i) **Breach:** The other party commits a breach of any representation, warranty, covenant or agreement contained in the Sale and Purchase Agreement, in each case in a manner that would result in the failure of certain specified conditions precedent, and the breach is incapable of remedy or, where the breach is capable of remedy, fails to remedy that breach within the earlier of 30 days of notice (from the party not in breach) requesting it does so and the Business Day prior to the day that is 120 days after the date of the Sale and Purchase Agreement;
- (ii) **Condition not satisfied:** Any condition precedent to Completion is not satisfied or waived on or before the date that is 120 days after the date of the Sale and Purchase Agreement, provided that if the relevant condition precedent is either of the ones set forth in sections 5.1(a) or (d) of this Explanatory Memorandum, the Company may not terminate the Sale and Purchase Agreement unless Completion has not occurred on or prior to the date that is 150 days after the date of the Sale and Purchase Agreement; or
- (iii) **Insolvency Event:** The other party is subject to an Insolvency Event (as defined in the Sale and Purchase Agreement).

In addition to the termination rights described above, (i) the Company may terminate the Sale and Purchase Agreement before completion if the Seller gives the Company notice of a Material Adverse Change in respect of the RWL Water Group or the RWL Business (taken as a whole) and (ii) the Seller may terminate the Sale and Purchase Agreement before Completion if the Company gives the Seller notice of a Material Adverse Change in respect of the Company or the business of the Company and its Subsidiaries (taken as a whole).

5.2 Private Placement Letter Agreement

The Company and the Seller have also entered into the Private Placement Letter Agreement, to confirm the Seller's commitment to subscribe (or procure that its Related Bodies Corporate subscribe) for the Placement Shares and the Company's commitment to issue the Placement Shares for an aggregate subscription price of US\$20,000,000 and at an issue price of A\$0.85 per share. The issuance of the Placement Shares is subject to, and conditional upon, among other conditions, the Shareholders approving the issuance and Completion occurring under the Sale and Purchase Agreement.

5.3 Summary of the employment terms of Managing Director and Chief Executive Officer

Upon successful Completion of the Proposed Transactions, Mr Henry Charrabé is to be appointed as Managing Director and Chief Executive Officer of the Company. The material terms of the CEO Employment Agreement are summarized below.

Under the CEO Employment Agreement, Mr Charrabé is to be employed in the roles of Managing Director and Chief Executive Officer for an initial two year term followed by automatic one year renewals (together, the Term). Mr Charrabé is to receive a base annual salary of US\$600,000, a one-off sign-on bonus of US\$150,000 and a one-off guaranteed minimum bonus for 2017 of US\$150,000, each of which will be payable on 31 December 2017.

Going forward, he will be entitled to receive a bonus of US\$300,000 at the end of each calendar year beginning in 2018 (assuming continued employment), and will be eligible for a further discretionary bonus each calendar year. His discretionary bonus will have a target amount of US\$75,000, and will be paid annually based on the achievement of performance metrics set by the Board. Mr Charrabé will continue to receive, until such time as he is ineligible to do so, health insurance benefits that he and his family are currently receiving in connection with his position as CEO of RWL or equivalent benefits, with a cost to the Company of up to 30% of his salary annually, and a housing allowance of US\$170,000 annually.

Mr Charrabé has also been granted the CEO Options, with each option to be exercisable for one ordinary share in the Company upon payment of the exercise price of A\$0.93. The exercisability of all of the CEO Options will be subject to the condition that Completion of the Proposed Transactions occurs, and if Completion does not occur within 120 days after 26 May 2017, which was the date the Sale and Purchase Agreement was entered into (SPA Signing Date), all of the CEO Options will lapse on that 120th day.

Assuming that Completion occurs, half of the CEO Options will vest and become exercisable in equal instalments at the end of each consecutive three (3) month period over a four-year period commencing on the SPA Signing Date, so long as Mr Charrabé continues to be employed by RWL at the end of the relevant three (3) month period.

The other half of the CEO Options will vest and become exercisable in equal annual instalments at the end of each consecutive twelve (12)-month period over a four (4)-year period commencing on the SPA Signing Date. Vesting of these CEO Options will be subject to meeting performance criteria established by the Board, in good faith consultation with Mr Charrabé.

If there is a change in control of the Company, however, all of the then unvested CEO Options will immediately vest and become exercisable. In addition, all of the CEO Options will expire on the earlier of 60 days after termination of Mr Charrabé's employment and the 8th anniversary of the SPA Signing Date.

There are a number of termination benefits that Mr Charrabé may receive depending on the circumstances of his termination of employment. The details of these benefits are further detailed in Annexure C.

6 INFORMATION ABOUT THE MERGED GROUP

6.1 Profile of the Merged Group

(a) *Key Attributes*

If the Proposed Transactions proceed, the Board believes that the Merged Group is well positioned to become a global provider in the fast-growing market for decentralised water and wastewater treatment solutions. The Merged Group should be able to take advantage of Emefcy's existing traction in China where it is close to rolling out its proprietary technology through six signed strategic partnerships and also RWL Water Group's experiences in offering an integrated range of services, from early stage evaluation, through design and delivery to ongoing support and optimisation of water related assets.

The Board expects the Merged Group to experience enhanced growth rates. In addition, the Merged Group's enhanced scale, platform, sales network, broad market reach and differentiated product offering is likely to offer increased opportunities to drive growth initiatives.

The Merged Group aims to:

- become a one-stop shop for water solutions, enabling potential sales of multiple solutions to the same customers;
- accelerate development of standardised packaged solutions for key markets in the developed and developing worlds; and
- offer a differentiated value proposition that generates long-term customer relationship, predictable cash flow and attractive rates of return.

(b) *Board of the Merged Group*

Upon successful Completion of the Proposed Transactions, Mr Charrabé and Dr Ramesh are each proposed to become a Director of the Company. The Merged Group Board will then be comprised of 7 Directors with the five existing Directors of Emefcy and Mr Charrabé and Dr Ramesh. Apart from adding two more Directors, the Board will remain unchanged, with Mr Irving being the Executive Chairman.

The proposed two new Directors have considerable experience and networks in the global water solutions market.

Subject to shareholders approving the Proposed Transactions, it is proposed that Mr Charrabé, who currently serves as President & CEO, Global Operations for RWL, will be appointed Managing Director and Chief Executive Officer of Fluence. Mr Charrabé brings more than a decade of experience in developing water management and investment solutions to his role at RWL. Mr Charrabé has been instrumental to the establishment of RWL as a global player through strategic acquisitions and by significantly growing the company organically. He is also responsible for creating the integrated sales structure in North, Central and South America, as well as in the Middle East and Europe. Prior to his leadership role at RWL, Mr Charrabé was a senior executive at the Seller in the United States and Europe. From 2003 to 2005, Mr Charrabé served as Chief Operating Officer of W2W, an electrocoagulation wastewater technology company. Mr Charrabé received a B.A. from the Freie Universität in

Berlin and Tel Aviv University. He earned an M.A. in Political Science and an M.A. in International Economics and Finance, both from Brandeis University, as well as an M.A. in Public Administration from the John F. Kennedy School of Government at Harvard University.

Also subject to shareholders approving the Proposed Transactions, it is proposed that Dr Ramesh, currently Director and Technical Advisor for RWL, will also join the Board. Dr Ramesh has over 30 years of global operating, acquisition and technology experience. In his advisory role, Dr Ramesh supports RWL's efforts to evaluate the best water treatment technologies and companies around the world.

Dr Ramesh previously held senior management positions at GE Water & Process Technologies, including as Chief Technology Officer for more than four years. As Chief Technology Officer, Dr Ramesh played a key role in the development and implementation of the strategy that led to the creation of GE's US\$2.5 billion global water platform. Prior to joining GE, Dr Ramesh served in numerous senior management roles over a two-decade career with A. Schulman, Inc., a global multi-billion dollar specialty chemicals manufacturer. Dr Ramesh was a member of the International Advisory Board to the Ministry of Environment and Water for the Government of Singapore from 2006 to 2009. He also served on the Executive Board of the National Center for Food Protection and Defense, the Department of Homeland Security-supported university-based research center. He currently serves on the Board of Imagine H2O, a non-profit organization based in Silicon Valley that supports entrepreneurs. Dr Ramesh earned an M.S. and Ph.D. in Chemical Engineering from the University of Akron.]

(c) *Management of the Merged Group*

Mr Irving will continue to serve as the Executive Chairman and Mr Charrabé is to be appointed as Managing Director and Chief Executive Officer who will manage the businesses and operations of the Merged Group. Eytan Levy will continue in the role of Executive Director and will be appointed as President of the Products and Innovation Group.

As part of the remuneration package agreed with Mr Charrabé, the Company has issued 11,191,336 Options (the exercisability of which is conditional on Completion of the Proposed Transactions) and agreed to pay US\$600,000 base salary with additional bonuses.

Messrs Philippe Laval, Robert Wowk and Spencer Smith from RWL Water Group will also be appointed as the Chief Operating Officer, Chief Financial Officer and General Counsel of the Merged Group respectively.

No other significant changes to the composition of the senior management team are expected as a result of the Proposed Transactions.

(d) *Any significant changes to the existing business of the Company*

The Company will experience significant changes to the size of its business on Completion. The Company will be merged with RWL Water Group and receive the US\$20,000,000 cash injection from the Seller (or its Related Bodies Corporate) through the issue of the Placement Shares. The Merged Group will operate in multiple jurisdictions offering a range of water treatment solutions, products and services. In addition, the issue of the Placement Shares will provide the Merged Group with critical capital to fund the expanded operations and businesses of the Merged Group.

- (e) *Major changes to the assets, employees and dividend policies of the Merged Group after the Completion*

Upon Completion, the Merged Group will seek to integrate the business of the Company with the businesses of RWL Water Group. This integration might result in the redeployment of assets or employees.

Given that the Company and RWL Water Group for the most part have had their business operations in different areas, such redeployment may be so limited that there would not be significant impacts in practice. However, a detailed functional review of the Merged Group will be undertaken following Completion and therefore the extent of any changes cannot be specifically determined at this stage. It is also currently envisaged that the Company's dividend policies would not change.

6.2 Changes to the Capital Structure

The effect of the Proposed Transactions on the Company's issued share capital will be as follows:

Shares in Emefcy Group Limited	No. of Shares	Pre Completion Proportion	Post Completion Proportion
On issue immediately before completion	259,001,054	100%	66.18%
Completion Shares issued at Completion	80,400,000		20.54%
Issue of Placement Shares	31,840,000 ⁹		8.14%
Issue of Holdback Shares ¹⁰	20,100,000		5.14%
On issue immediately after completion	391,341,054	100%	100%

6.3 Effect on Working Capital Requirements

The Directors are satisfied that after Completion of the Proposed Transactions, the Company will have sufficient working capital to carry out its objectives as previously disclosed and as described in this Explanatory Memorandum.

In particular, the raising of US\$ 20,000,000 through a placement to the Seller (which is subject to shareholder approval), combined with the anticipated combined cash balances at Completion are anticipated to be sufficient to fund the combination of the two groups and execute the Merged Group strategy. The Company will continue to evaluate growth opportunities as they arise together with available funding sources particularly off-balance sheet funding for recurring revenue projects and funding offered by value added sources.

⁹ The number of the Placement Shares will depend on the prevailing exchange rate at the time when the Shares are issued.

¹⁰ It is assumed that there are no claims arising from the indemnity provisions under the Sale and Purchase Agreement.

6.4 Effect on Financial Position

(a) *Extract of RWL Water Historical Balance Sheets*

The following Historical Balance Sheet information is extracted from the audited consolidated accounts of RWL Water Group. These audited accounts have been prepared according to US GAAP appropriate for a privately-owned group.

Consolidated RWL Water Group	2014	2015	2016
	USD'000	USD'000	USD'000
Current Assets	36,763	108,717	86,675
Non-Current Assets	17,687	12,799	14,191
Total Assets	54,450	121,516	100,866
Current Liabilities	30,177	103,365	85,945
Non-Current Liabilities	5,501	5,871	3,620
Total Liabilities	35,678	109,236	89,565
Equity	18,772	12,280	11,300

(b) *Pro forma Consolidated Balance Sheet (unaudited)*

This section contains pro-forma historical financial information relating to the Merged Group (Merged Group Financial Information).

The information in this section should be read in conjunction with other information set out elsewhere in this Explanatory Memorandum, including the Risks set out in Section 4.3 and the Independent Expert's Report.

A draft pro forma consolidated balance sheet for the Company and RWL Water Group as at 31 December 2016 set out in Annexure B illustrates the effect that the Proposed Transactions are likely to have on the Company. The pro forma balance sheet has been prepared on the basis set out in Annexure B.

This pro forma balance sheet does not include the proposed placement of US\$ 20,000,000 to the Seller, which is subject to shareholders' approval. The financial effect of this placement will be to increase both Consolidated Cash and Cash Equivalents and Consolidated Equity by US\$ 20,000,000.

6.5 Effect on Financial Performance

(a) *Revenue*

On a combined basis, the Merged Group would have achieved revenues of US\$62million (A\$83million) in 2016 and anticipate sales in excess of US\$90million (A\$120million) for calendar 2017, 71% of which have already been achieved or are in backlog. Emefcy's revenue contribution for each of these calendar years is less than USD 3 million. For statutory accounting purposes, RWL Water Group results will contribute to the Merge Group results as from Completion.

(b) *Profit and Loss*

The following Historical Profit and Loss information is extracted from the audited consolidated accounts of RWL Water Group. These audited accounts have been prepared according to US GAAP principles appropriate for a privately-owned group.

Consolidated RWL Water Group	2014 USD'000	2015 USD'000	2016 USD'000
Revenues	40,146	54,879	60,932
Gross Profit	10,172	3,893	11,625
EBITDA	(18,419)	(37,578)	(17,115)
Net loss attributable to RWL Water Group	(25,677)	(25,414)	(14,828)

The Company and RWL anticipate making significant investments in product and business development in the remainder of 2017 and CY2018, contributing to overall net losses for the corresponding periods. The objective is to achieve break-even in 2019.

7 ADDITIONAL INFORMATION

7.1 ASX confirmation

A listed company has an obligation to notify ASX of a proposed significant change to the nature or scale of its activities under Listing Rule 11. If ASX considers necessary, ASX can exercise its discretion to require the listed company to obtain the approval of its security holders in relation to the change in the nature or scale of its activities (Listing Rule 11.1.2), or to re-comply with ASX's admission requirements (Listing Rule 11.1.3). ASX has confirmed to the Company that Listing Rules 11.1.2 and 11.1.3 do not apply to the Proposed Transactions.

7.2 Consents

The following persons have given, and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- PPB Advisory as Independent Expert; and
- RWL and RSL Investments Corporation.

RWL and RSL Investments Corporation have each given, and have not, before the date of issue of this Explanatory Memorandum, withdrawn their written consent to the inclusion of the RWL Information and the references to that information in the form and context in which they are included in this Explanatory Memorandum.

PPB Advisory as Independent Expert has given, and has not, before the date of issue of this Explanatory Memorandum, withdrawn its written consent to the inclusion of the Independent Expert's Report in Annexure A and references to that report in the form and context in which they are included in this Explanatory Memorandum.

Other than as specifically outlined above, each party referred to in this Section 7.2 has not caused or authorised the issue of this Explanatory Memorandum and does not make or purport to make any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based and takes no responsibility for any part of this Explanatory Memorandum other than any reference to its name.

7.3 Directors' Shareholdings and Voting Intentions

The number of Shares in which each Director has a relevant interest as at the date of this Notice of Meeting is set out in the table below. As indicated earlier, the Directors recommend the Proposed Transactions and intend to vote in favour of the Resolutions in the Notice of Meeting (to the extent they are entitled to vote on them) in respect of the Shares that they hold or control.

Director	Number of Shares	% of issued Share capital
Richard Irving	28,944,080	11.18%
Eytan Levy	9,267,810	3.58%
Ross Haghighat	Nil	0%
Peter Marks	2,254,403	0.87%
Robert Wale	Nil	0%

8 STATEMENT BY DIRECTORS

The Directors state that they have made all reasonable inquiries and have reasonable grounds to believe that the statements by the Directors in the Notice of Meeting are true and are not misleading and that in respect of statements made in the Notice of Meeting by persons other than Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that the persons making the statements were competent to do so and those persons have given their consent to be named in the Notice of Meeting in the form and context in which that reference was made and have not withdrawn that consent before the date of the Notice of Meeting.

Each Director of the Company has consented to the issue of the Notice of Meeting and has not withdrawn that consent prior to the date of the Notice of Meeting.

Ross Kennedy
Company Secretary and Advisor to the Board
8 June 2017

The following definitions and terms are used in the Notice of Meeting and the Explanatory Memorandum.

A\$, \$ or Dollars	Australian dollars unless otherwise stated.
AET	Australian Eastern Standard Time.
ASIC	The Australian Securities and Investments Commission.
Associate	Has the meaning given to the term by section 12 and 16 of the Corporations Act.
Astaris Consulting Agreements	A consulting agreement entered into between RWL and Astaris SAS and an options side letter entered into between the Company, RWL and Astaris SAS in connection with the services of Mr Philippe Laval.
ASX	ASX Limited ACN 008 624 691 and where the context requires, the Australian Securities Exchange operated by ASX Limited
Board	The board of Directors of the Company.
BOT Project	A 'build-own-operate-transfer', 'build-operate-transfer' or similar project in relation to a plant or other facility, any material part of which is, or is proposed to be, designed, constructed, commissioned, owned, operated and/or managed by any of RWL Water Group
Business Day	A day that is not a Saturday, Sunday or public holiday in Melbourne, Australia or New York, United States of America.
CEO Employment Agreement	An employment agreement entered into between the Company, RWL and Mr Henry Charrabé.
CEO Options	11,191,336 Options that have been granted to Mr Henry Charrabé to subscribe for fully paid ordinary Shares subject to the terms and conditions under the CEO Employment Agreement.
Closely Related Party	The closely related party as defined in section 9 of the Corporations Act
Company or Emefcy	Emefcy Group Limited (ACN 127 734 196).
Completion	Completion occurs when completion of the acquisition of the LLC Interests under the Sale and Purchase Agreement occurs.
Completion Cash Consideration	US\$10,000.
Completion Shares	80% of the Consideration Shares.

Consideration Shares	100,500,000 Shares, to be issued in consideration for acquiring the LLC Interests.
Corporations Act	The Australian <i>Corporations Act 2001</i> (Cth).
Director	A director of the Company.
Eligible Shareholder	The relevant Shareholders on the Record Date.
Emefcy Information	The information contained in this Explanatory Memorandum other than the RWL Information and information contained in or relating to Annexure A (Independent Expert's Report).
Equity Security	Has the meaning given in the Listing Rules.
ESOP	The Employee Share Option Plan which was approved by the Shareholders at the general meeting held on 17 November 2015.
Explanatory Memorandum	This explanatory memorandum, prepared by the Company and sent to Shareholders in respect of the Resolutions.
FY	Financial Year.
Holdback Period	The 12 month period beginning on the date of Completion, during which the Holdback Shares are not required to be issued by the Company.
Holdback Shares	20% of the Consideration Shares calculated at Completion which will be held back in order to satisfy claims, if any, arising from the indemnities given to the Company under the Sale and Purchase Agreement.
Independent Expert or PPB Advisory	PPB Corporate Finance Pty Limited ABN 13 130 176 911.
Independent Expert's Report or IER	The independent expert's report prepared by the Independent Expert and included at Annexure A.
Insolvency Event	A liquidation or winding up, the appointment of a controller, administrator, receiver, manager or similar insolvency administrator to a party or any substantial part of its assets or the entering into a scheme or arrangement with creditors or the occurrence of any event that has a substantially similar effect to any of these events.
KMP	The key management personnel of the Company as defined under section 9 of the Corporations Act
Listing Rules	The official listing rules of ASX.
LLC Interests	The limited liability company interests in RWL as described in the Sale and Purchase Agreement.

Lock-Up Agreement	An agreement to be entered into between the Seller and the Company restricting the Seller from selling, transferring or otherwise disposing of any Consideration Shares for a two-year period commencing on Completion (except in the specific circumstances described in the Sale and Purchase Agreement or if there is a takeover bid or merger by way of a scheme of arrangement under the circumstances described in ASX Listing Rule 9.18).
Material Adverse Change	Subject to certain limitations described in the Sale and Purchase Agreement, a matter, event or circumstance that has resulted, or would reasonably be expected to result, individually, or when aggregated with other matters, events or circumstances, in (i) a material adverse change in the financial condition or operations of the relevant person or Group or the relevant person's or Group's businesses (taken as a whole) or (ii) an adverse change in the cash flows of the Group that immediately threatens the viability of the Group, taken as a whole, as a going concern.
Meeting	The extraordinary general meeting of Shareholders, which is the subject of this Notice of Meeting.
Merged Group	The Company and its Subsidiaries following Completion.
Merged Group Board	The Board following Completion.
Merged Group Financial Information	The pro-forma historical financial information relating to the Merged Group as set out in Sections 6.4 and 6.5, including the adjustments to the relevant historical financial information to generate such pro-forma financial information.
Mexico BOT Project	The BOT Project, known as the 'San Quintin Project', for which RWL Desal Holding S. de R.L. de C.V., Libra Ingenieros Civiles S.A. de C.V. and RJ Ingenieria S.A. de C.V. incorporated a Mexican company, Desaladora Kenton S.A. de C.V. (RJ) on December 17, 2015 for the sole purpose of participating in the BOT Project for the desalination plant in San Quintin, Ensenada, Baja California., which is described in more detail in Section 2.4(g).
Mexico BOT Project Funds	US\$5,400,000, which is to be used by the relevant member of RWL Water Group to pay its equity commitments under the Mexico BOT Project.
Notice of Meeting	The notice of meeting including this Explanatory Memorandum and the Proxy Form.
Option	An option to acquire a Share in accordance with the terms and conditions determined at the time of the issue.
PDVSA Agreement	An agreement between PDVSA Agricola and RWL Argentina entered into on 30 June 2014, which is described in more detail in Section 4.3(c).

Placement Shares	31,840,000 Shares (assuming a US\$/AU\$ exchange rate of 0.7390) to be issued to the Seller (or its Related Bodies Corporate) at a price of A\$0.85 to raise US\$ 20,000,000 pursuant to the Private Placement Letter Agreement.
Private Placement Letter Agreement	The letter agreement between the Company and the Seller, pursuant to which Seller agrees to subscribe (or procure that its Related Bodies Corporate subscribe) for the Placement Shares with an aggregate subscription price of US\$20,000,000, subject to the terms and conditions set forth therein.
Proposed Transactions	<p>The transactions proposed by the Company requiring Shareholder approval:</p> <ul style="list-style-type: none"> ■ to acquire the LLC Interests from the Seller in consideration for which the Company will issue the Consideration Shares to the Seller, subject to adjustments set out in the Sale and Purchase Agreement; and ■ to issue the Placement Shares.
Proxy Form	The proxy form attached to this Notice of Meeting.
Record Date	The date for determining the Eligible Shareholders for participation in the Meeting, anticipated to be 11:00am on 10 July 2017
Related Body Corporate	Has the meaning given to that term in section 50 of the Corporations Act.
Relevant Interest	Has the meaning given to that term in the Corporations Act.
Resolution	A resolution proposed in the Notice of Meeting accompanying this Explanatory Memorandum.
RG 74	ASIC Regulatory Guide 74, Acquisition approved by members.
RG 111	ASIC Regulatory Guide 111, Content of expert reports.
RWL	RWL Water LLC which is the top holding company of RWL Water Group and owns operating companies within RWL Water Group.
RWL Argentina	Unitek S.A. and all of its Subsidiaries (whether wholly or partly owned).
RWL Business	Business carried on by RWL Water Group of providing global solutions for desalination, wastewater, waste-to-energy and waste recovery and reuse, as it is presently conducted by RWL Water Group.
RWL Information	All information regarding the Seller or RWL Water Group (including updates to that information) provided by or on behalf of the Seller and RWL Water Group for inclusion in this Explanatory Memorandum, consisting of the information contained in Sections 2.4, 2.5, 6.4(a) and 6.5(b) and other statements in this Explanatory Memorandum that the Seller and RWL Water Group have

	confirmed in writing have been provided by or on behalf of the Seller and RWL Water Group.
RWL Investments	RWL Water Investments Ltd and all of its Subsidiaries (whether wholly or partly owned).
RWL Israel	RWL Water Israel Ltd. and all of its Subsidiaries (whether wholly or partly owned).
RWL Italy	RWL Water Italia S.r.l. and all of its Subsidiaries (whether wholly or partly owned).
RWL Middle East	RWL Middle East FZE, a Free Zone Establishment company in Dubai with limited liability.
RWL USA	Aeromix Systems Inc.
RWL Water Group	RWL, RWL Argentina, RWL Investments, RWL Israel, RWL Middle East, RWL Italy and RWL USA and their respective Subsidiaries.
Sale and Purchase Agreement	The agreement between the Company and the Seller executed on 26 May 2017 for the Company to purchase the LLC Interests from the Seller.
Seller	RSL Investments Corporation.
Share	A fully paid ordinary share in the Company.
Share Registry	Boardroom Pty Ltd ABN 14 003 209 836.
Shareholder	The registered holder of Shares in the Company.
Subsidiary	Has the meaning given to that term in section 46 of the Corporations Act.
US GAAP	US Generally Accepted Accounting Principles.
US\$ or USD	Dollars in the currency of the United States of America.
Voting Power	Has the meaning given to that term in section 610 of the Corporations Act.

Annexure A - Independent Expert's Report

Annexure B - Pro forma consolidated balance sheet as of 31 December 2016

Consolidated balance sheet Pro Forma Information

as of 12/31/2016

US Dollars

	A	B	C	D
	Emefcy Group Limited (IFRS) (Audited) annual report- consolidated	RWL Water LLC (US GAAP) (Audited) annual report Consolidated	Adjustments	Consolidated balance sheet (IFRS) Pro-forma
ASSETS				
Current assets				
Cash and cash equivalents	22,870,848	10,867,809		33,738,657
Short term investment	-	50,952,155		50,952,155
Short term deposits	114,706	-		114,706
Customer deposit	-	960,065		960,065
Restricted cash	18,761	-		18,761
Trade and other receivables	712,609	6,757,761		7,470,370
Costs and estimated earnings in excess of billings on contracts-in- progress	-	5,992,757		5,992,757
Derivative	-	-	1,076,000	1,076,000
Inventories	452,454	4,348,014		4,800,468
Prepayments	205,023	6,796,294		7,001,317
Total current assets	24,374,401	86,674,855	1,076,000	112,125,256
Non-current assets				
Other receivables	49,373	5,699,103		5,748,476
property, plant and equipment	1,039,460	2,012,359		3,051,819
Goodwill and Intangible assets	2,133,548	6,479,240	58,040,717	66,653,505
Total non-current assets	3,222,381	14,190,702	58,040,717	75,453,800
Total assets	27,596,782	100,865,557	59,116,717	187,579,056

	A	B	C	D
	Emefcy Group Limited (IFRS) (Audited) annual report- consolidated	RWL Water LLC (US GAAP) (Audited) annual report Consolidated	Adjustments	Consolidated balance sheet (IFRS) Pro-forma
LIABILITIES				
Current liabilities				
Trade and other payables	1,371,331	9,400,216	3,000,000	13,771,547
Billings in excess of costs and estimated earnings on contracts-in-progress	-	819,649		819,649
Short term borrowings and current maturities of long term debt	-	1,217,694		1,217,694
Deferred revenue	-	36,104,019		36,104,019
Provisions	123,113	38,019,596		38,142,709
Other financial liabilities	1,000,000	384,109	3,842,011	5,226,120
Total current liabilities	2,494,444	85,945,283	6,842,011	95,281,738
Non-current liabilities				
Other payables	1,038,689	2,236,948	(1,582,885)	1,692,752
Notes payable to related parties	-	482,076		482,076
Deferred taxes	-	900,935		900,935
Total non-current liabilities	1,038,689	3,619,959	1,582,885	3,075,763
Total liabilities	3,533,133	89,565,242	5,259,126	98,357,501
EQUITY	24,063,649	11,300,315	53,857,591	89,221,555
TOTAL LIABILITIES AND EQUITY	27,596,782	100,865,557	59,116,717	187,579,056

Procedures Performed and Assumptions Used:

The December 31, 2016 consolidated balance sheet pro-forma is based on the combined balance sheets of Emefcy, audited and accounted in accordance with IFRS (Column A) and RWL, audited and accounted in accordance with US GAAP (Column B), as if the merger by the acquisition of RWL closed as of that date. No changes were made to any of these balance sheets except presenting all equity components in a single Financial Statement Line Item (**FSLI**).

Since the Emefcy accounts are audited and accounted in accordance with IFRS and the RWL accounts are audited and accounted in accordance with US GAAP, Emefcy used an experienced external consultant to support preparation of the adjustments to the RWL accounts for IFRS (Column B) and on consolidation (Column C).

The accounting for the PDVSA contract treated the ARS/Dollar exchange rate from a \$95 million deposit as an integral component of the project economics. The experienced external consultant supporting the IFRS adjustment procedure suggested an alternative accounting treatments but that alternative treatment was ultimately dismissed after extensive discussion between management, auditors and the experienced external consultant. Depending on the future assessment by the Company's auditors that alternative approach could possibly be accepted but any change would not impact the underlying merits of the project's economic value.

In preparing the adjustments to IFRS, Emefcy used the following procedures and assumptions which have been agreed to by RWL's corporate finance team. No verification was made by the experienced external consultant to any underlying data used.

- 1) The procedures performed did not include any auditing or review procedures, in accordance with auditing or review standards, respectively; if such additional procedures were performed, other matters, with potential significant impact on the Pro Forma Information, might be identified.
- 2) The identified potential material GAAP differences, detailed below, does not represent a full list of IFRS vs US GAAP differences, as might be identified upon a complete conversion of RWL's financial statement to IFRS.
- 3) A materiality threshold of \$1.8 million was used (per FSLI). Such threshold was based on approximately 3% of RWL's 2016 revenues. All identified differences below \$1.8 million are not reflected in the consolidated balance sheet pro-forma.
- 4) RWL's FSLIs, post the adjustments in Column C, are presented at their book values, as no Purchase Price Allocation was performed. As such, the December 31, 2016 consolidated balance sheet pro-forma (Column D) does not include any Fair Value mark ups, nor any potential additional intangible assets, which might have been identified as part of such Purchase Price Allocation.
- 5) The additional shares to be issued by Emefcy as part of this transaction was valued based on Emefcy's share price at December 31, 2016 of \$0.66 per share. The number of such additional shares which is included in Pro Forma Information is 100.5 million.
- 6) The Pro Forma Information does not include any potential adjustments for tax implications which might result from the Proposed Transactions.
- 7) The Pro Forma Information does not include any adjustments for potential differences in accounting policies accounted by RWL and Emefcy.
- 8) The Pro Forma information does not include the proposed placement of US\$20 million to the Seller, which is subject to shareholders approval

The "Adjustments" column (Column C) includes the following types of adjustments:

- 1) US GAAP vs. IFRS differences identified with regard to the Call and PUT options related to the purchase of the minority interests, as part of the acquisitions by RWL of RWL Argentina and RWL Italy.
- 2) Estimated merger by the acquisition of RWL related and share issuance costs.
- 3) Conversion of certain liabilities which will be satisfied by the Owner of RWL into equity in RWL.
- 4) Since no Purchase Price Allocation was performed, any difference between the RWL's book values and the consideration related to new shares which are to be issued, was included in the Goodwill FSLI.

Annexure C - Potential termination benefits to Mr Henry Charrabé

Under the proposed terms of the CEO Employment Agreement, different termination benefits apply under different circumstances. The table below sets out the different types of benefits that Mr Charrabé will receive following different types of employment termination events.

The Severance Period referred to in the table below means, if terminated during the initial two year term of his employment, the period from his termination through the remainder of the term plus 12 months, and, if terminated after the end of the initial two year term, the 12 month period following termination.

Description of benefit	Termination for Cause¹¹	Termination with Good Reason¹²	Termination without Cause or as a result of death or disability	Resignation without Good Reason
Health insurance plan and other health and welfare benefits	Payable only to termination date	Will continue to receive for the Severance Period	Will continue to receive for the Severance Period	Payable for one year after resignation if he complies with his non-competition obligation during this period
\$170,000 annual housing allowance	Payable only to termination date	Same as above	Same as above	Payable only to termination date

¹¹ **Cause** means the occurrence of any of the following:

- (a) a material breach by Mr Charrabé of the CEO Employment Agreement or of any other agreement of which Mr Charrabé and the Company or its Related Bodies Corporate are parties;
- (b) the repeated and persistent failure by Mr Charrabé to reasonably and substantially perform his duties under the CEO Employment Agreement;
- (c) wilful misconduct or gross negligence that is injurious to the Company;
- (d) Mr Charrabé's breach of his fiduciary duty to the Company or commission of a fraud upon the Company;
- (e) Mr Charrabé's conviction of (or plea of *nolo contendere* to) any crime that constitutes a felony, or that constitutes any misdemeanour (excluding minor traffic violations) involving moral turpitude, deceit, dishonesty or fraud; or
- (f) dishonest or fraudulent statements or acts of Mr Charrabé to any member of the Company's Related Bodies Corporate.

¹² **Good Reason** means the occurrence of any of the following without Mr Charrabé's written consent:

- (a) a reduction in his base salary or Year-End Bonus;
- (b) non-payment of the Sign-On Bonus or the 2017 Guaranteed Minimum Bonus;
- (c) a material adverse change in the scope or nature of Mr Charrabé's duties, responsibilities or authority (including but not limited to Mr Charrabé no longer being a member of the Board or the most senior executive of the Company other than the chair of the Board);
- (d) Mr Charrabé no longer reporting directly to the Board;
- (e) a material change to the geographic location at which Mr Charrabé provides services hereunder; or
- (f) a material breach of the CEO Employment Agreement by the Company.

US\$600,000 base salary	Payable only to termination date	Same as above	Same as above	Payable for one year after resignation if he complies with his non-competition obligation during this period
US\$150,000 December 2017 sign-on bonus	No entitlement	Not paid if terminated before 31 December 2017	If terminated during 2017, will be paid in full	Not paid if resign before 31 December 2017
US\$150,000 December 2017 guaranteed minimum bonus	No entitlement	Not paid if terminated before 31 December 2017	If terminated during 2017, will be paid in full	Not paid if resign before 31 December 2017
US\$300,000 year-end bonus commencing in 2018	No entitlement	If terminated in 2018 or later, will receive a pro-rated bonus based on the part of the year that he was employed	If terminated in 2018 or later, will receive a pro-rated bonus based on the part of the year that he was employed	No entitlement
Annual discretionary bonus (US\$75,000 target amount)	No entitlement	If terminated in 2018 or later, will receive a pro-rated bonus based on the applicable performance metrics	If terminated in 2018 or later, will receive a pro-rated bonus based on the applicable performance metrics	No entitlement
11,191,336 options, half vesting every 3 months over 4 years, the other half vesting in annual instalments over 4 years based on achieving performance criteria¹³	All unvested options will lapse on termination of employment	The options that would have vested during the Severance Period will vest at termination, and performance criteria won't apply	If death or disability, all unvested options immediately vest; if termination without Cause, the options that would have vested during the Severance Period will vest at termination; in each case, performance criteria won't apply	All unvested options will lapse on termination of employment

¹³ All options, whether vested or unvested, will lapse 60 days after termination of employment.

Annexure D - Potential Termination Benefits to Astaris SAS

Under the proposed terms of the Astaris Consulting Agreement, different termination benefits apply under different circumstances. The table below sets out the different types of benefits that Astaris SAS (**Consultant**) will receive following different types of consultation termination events.

The Severance Period referred to in the table below means, if terminated during the initial two year term of the engagement, the period from the termination through the remainder of the term plus 6 months, and, if terminated after the end of the initial two year term, the 6 month period following termination.

Description of benefit	Termination for Cause¹⁴	Termination without Cause or due to a Material Breach¹⁵	Termination by reason of Philippe Laval's death or disability	Terminated by the Consultant other than for a Material Breach
US\$350,000 Annual Consulting Fee	Any accrued and unpaid Annual Consulting Fees to the termination date.	<ul style="list-style-type: none"> Annual Consulting Fees accrued and unpaid to the termination date, and for the Severance Period at the rate in effect immediately prior to the termination date. 	Any accrued and unpaid Annual Consulting Fees to the termination date.	Any accrued and unpaid Annual Consulting Fees to the termination date.
US\$100,000 Annual Bonus	Payable only if earned but unpaid as of the termination date.	Annual Bonuses earned but unpaid as of the termination date, and a pro-rated	Payable only if earned but unpaid as of the termination date.	Payable only if earned but unpaid as of the termination date.

¹⁴ **Cause** means the occurrence of any of the following:

- (g) any dishonest or fraudulent statements or acts by the Consultant with respect to any member of the Company group;
- (h) wilful misconduct or gross negligence that is injurious to RWL Water LLC or any member of the Company group;
- (i) any act of moral turpitude by the Consultant that has a material adverse impact on the activities or reputation of RWL Water LLC, any member of the Company group, or their officers or directors, as determined in the reasonable judgment of the CEO;
- (j) the conviction of, or entry of a plea of no contest by, the Consultant or Philippe Laval for any felony or any misdemeanour (excluding minor traffic violations) involving moral turpitude, deceit, dishonesty or fraud; and
- (k) a material breach by the Consultant of Astaris Consulting Agreement or the Confidentiality Agreement entered into between Philippe Laval and RWL Water LLC, that RWL Water LLC has advised the Consultant of and the Consultant has not cured within 30 days of receipt of such notification.

¹⁵ The Consultant shall have the right to terminate the consulting relationship in the event of a Material Breach. **Material Breach** means the occurrence of any of the following actions:

- (g) requiring the Consultant to relocate to any location without the Consultant's express written consent;
- (h) any reduction in either the Annual Consulting Fee or the Annual Bonus; or
- (i) requiring the Consultant to travel in connection with the performance of his duties more than 70 percent of the total time spent (on an annual basis) by the Consultant in providing the services under the Astaris Consulting Agreement (assuming that the Consultant provides services on a full time basis).

		bonus based on the part of the year elapsed to the termination date.		
Discretionary Bonus, at the discretion of the CEO based on performance metrics (no target amount)	Earned but unpaid as of the termination date.	Discretionary Bonuses earned but unpaid as of the termination date, and a pro-rated bonus based on the part of the year elapsed to the termination date based on the applicable performance metrics that have been met to the termination date.	Earned but unpaid as of the termination date.	Earned but unpaid as of the termination date.
1,500,000 options, half vesting every 3 months over 4 years, the other half vesting in annual instalments over 4 years based on achieving performance criteria¹⁶	All unvested options will lapse on termination of employment.	The options that would have vested during the Severance Period will vest at termination, and performance criteria won't apply	All unvested options immediately vest.	All unvested options will lapse on termination of engagement.

¹⁶ All Options (whether vested or unvested) will lapse 60 days after any termination of the consulting relationship, unless determined otherwise by the board of directors of Emefcy.

Annexure E - Terms of ESOP