



ACN 164 573 728

**NOTICE OF ANNUAL GENERAL MEETING,
EXPLANATORY STATEMENT AND PROXY FORM**

The Annual General Meeting of the Company will be held at Level 2, 1292 Hay Street, West Perth, Western Australia, on 20 May 2016 at 9.30 am (AWST).

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of PhosEnergy Limited (PhosEnergy or the Company) to which this Notice of Meeting relates will be held at 9.30 am (WST) on Friday 20 May 2016 at:

Level 2, 1292 Hay Street, West Perth, Western Australia

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

All Shareholders who are entitled to attend and vote at the Meeting have the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Shareholder. Shareholders holding two or more shares can appoint either one or two proxies. If two proxies are appointed, the appointing Shareholder can specify what proportion of their votes they want each proxy to exercise.

To vote by proxy, please complete and sign the Proxy Form enclosed and either send it:

- (a) by post to PhosEnergy Limited, GPO Box 2890, Perth, WA 6001; or
- (b) by facsimile to (within Australia) (08) 9322 5800 or (outside Australia) (+61 8) 9322 5800

so that it is received no later than 9.30 am (WST) on 16 May 2016, being not less than 48 hours prior to the commencement of the Meeting. Proxy Forms received later than this time will be invalid. Where a Proxy Form is executed under power of attorney, the power of attorney must be lodged in the same way as the Proxy Form.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- (c) if the proxy is the Chairman of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the Chairman – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (b) the appointed proxy is not the Chairman of the meeting;
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,

the Chairman of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BODIES CORPORATE – CORPORATE REPRESENTATION

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at the Meeting. The appointment may be a standing one. A “Certificate of Appointment of Corporate Representative” has been attached.

VOTING ENTITLEMENTS

The board has determined that, for the purpose of voting at the meeting, Shareholders are those persons who are registered holders of the Company’s shares at 4 pm (WST) on 19 May 2016.

ENQUIRIES

The Company welcomes enquiries in respect of matters covered in this Notice of Meeting and Explanatory Statement and the attendance of Shareholders at the Annual General Meeting. Should you require further information please contact:

The Company Secretary

Leanne Stevens

Phone: (+61 8) 9322 7431

Fax: (+61 8) 9322 5800

Email: lstevens@phosenergy.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the Annual General Meeting of the Shareholders of PhosEnergy Limited (**PhosEnergy** or the **Company**) will be held at Level 2, 1292 Hay Street, West Perth, Western Australia on Friday, 20 May 2016 at 9.30 am (WST).

AGENDA

ORDINARY BUSINESS

FINANCIAL REPORT

To receive and consider the Company's Financial Report and the reports of the directors and auditors for the year ended 31 December 2015.

RESOLUTION 1 – RE-ELECTION OF MR ANTHONY KIERNAN AS A DIRECTOR

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

"That in accordance with the Company's constitution, Mr Anthony Kiernan, having retired by rotation as required under the Constitution and having consented to act as a director of the Company, be hereby re-elected as a director of the Company."

RESOLUTION 2 – GRANT OF OPTIONS TO MR ANTHONY KIERNAN

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

"That, for the purposes of Chapter 2E and section 195(4) of the Corporations Act and for all other purposes, approval is given to grant 750,000 options to Mr Anthony Kiernan (Chairman) (or his nominee), with an exercise price 20 cents each, expiring 30 April 2021 on the terms set out in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Kiernan (or his nominee), and any of their respective associates. However, the Company will 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.

RESOLUTION 3 – GRANT OF OPTIONS TO MR TIM GOYDER

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

"That, for the purposes of Chapter 2E and section 195(4) of the Corporations Act and for all other purposes, approval is given to grant 750,000 options to Non-executive Director, Mr Tim Goyder (or his nominee) with an exercise price 20 cents each, expiring 30 April 2021 on the terms set out in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Goyder (or his nominee), and any of their respective associates. However, the Company will 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.

RESOLUTION 4 – GRANT OF OPTIONS TO MR THOMAS POOL

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

"That, for the purposes of Chapter 2E and section 195(4) of the Corporations Act and for all other purposes, approval is given to grant 250,000 options to Non-executive Director, Mr Thomas Pool (or his nominee) with an exercise price 20 cents each, expiring 30 April 2021 on the terms set out in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Pool (or his nominee), and any of their respective associates. However, the Company will 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.

RESOLUTION 5 – GRANT OF OPTIONS TO MR BRYN JONES

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

"That, for the purposes of Chapter 2E and section 195(4) of the Corporations Act and for all other purposes, approval is given to grant 1,000,000 options to the Managing Director, Mr Bryn Jones (or his nominee) with an exercise price 20 cents each, expiring 30 April 2021 on the terms set out in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Jones (or his nominee), and any of their respective associates. However, the Company will 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.

By order of the board

A handwritten signature in blue ink, appearing to read 'Tim Goyder', with a stylized flourish at the end.

Tim Goyder
Director
15 April 2016

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of shareholders of PhosEnergy Limited (ACN 164 573 728) (PhosEnergy or the Company) in connection with the business to be transacted at the Annual General Meeting of the Company to be held on 20 May 2016.

At the Annual General Meeting, Shareholders will be asked to consider the following Resolutions:

- (a) the election of Mr Anthony Kiernan as a Director;
- (b) the issue of options to Mr Anthony Kiernan;
- (c) the issue of options to Mr Tim Goyder;
- (d) the issue of options to Mr Thomas Pool; and
- (e) the issue of options to Mr Bryn Jones.

The purpose of this Explanatory Statement is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the above Resolutions. It explains the Resolutions and identifies the Board's reasons for putting them to Shareholders. The Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting.

FINANCIAL STATEMENTS AND REPORTS

The Corporations Act at section 317 requires the Company to lay before the Annual General Meeting the Financial Report, Directors' Report and the Auditor's Report for the 12 months ended 31 December 2015.

No resolution is required for this item, but Shareholders will be provided with a reasonable opportunity to ask questions or make comments in relation to these reports.

RESOLUTION 1 – APPOINTMENT OF ANTHONY KIERNAN AS A DIRECTOR

Mr Kiernan having been appointed as a Director on formation of the Company on 1 July 2013, and having offered himself for re-election, he is elected in accordance with clause 13.3(b)(iv) of the Company's Constitution, whereby there must be an election of Directors at each annual general meeting.

Mr Kiernan, previously a practising lawyer, is a corporate advisor with extensive experience in the administration and operation of listed public companies. He is Chairman of BC Iron Limited, Chalice Gold Mines Limited and Venturex Resources, and is a director of Danakali Limited, all listed on ASX. Anthony was previously a director of ASX-listed Uranium Equities Limited and Liontown Resources Limited.

Recommendation

The Board (except Mr Kiernan) unanimously recommend that Shareholders vote in favour of Resolution 1.

RESOLUTION 2 – GRANT OF OPTIONS TO MR ANTHONY KIERNAN

Resolution 2 seeks Shareholder approval for the Company to issue 750,000 Options to Mr Anthony Kiernan, Chairman, or his nominee, under the terms set out below.

Shareholder approval for the issue of the Options is sought for the purposes of division 3 of Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to "related parties", such as directors of a company.

Purpose of the Options Issue

The purpose of the proposed grant of Options is to provide Mr Kiernan with an added incentive in carrying out his duties as Chairman of the Company. Given the size and stage of the Company and its need to preserve cash, the issue of Options is a valuable part of the compensation to be provided to Mr Kiernan.

Terms of the Options

Mr Kiernan will be issued 750,000 Options for nil consideration. The Options will expire on 30 April 2021, will vest immediately and have an exercise price of 20 cents.

Subject to Shareholder approval, the Options will otherwise be issued on the terms and conditions set out in Schedule 1.

Part 2E of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving a financial benefit to a related party (such as a director) unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- b) Shareholder approval is obtained prior to the giving of the financial benefit.

A "related party" for the purposes of the Corporations Act is defined widely and includes a director of a public company and former directors of a public company.

A "financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

The proposed grant of Options to Mr Kiernan or his nominee involves the provision of a financial benefit to a related party of the Company, and therefore, requires Shareholder approval.

In accordance with the requirements of Part 2E of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Options to Mr Kiernan:

- (a) Mr Kiernan is the Chairman of the Company and is the person to whom the financial benefit, in the nature of Options, is to be given (or his nominee). As a Director, Mr Kiernan is a related party of the Company for the purposes of the Corporations Act.
- (b) The financial benefit to be given is the grant of 750,000 Options on the terms noted above.
- (c) Those Directors who have no interest in the outcome of Resolution 2 (being all Directors other than Mr Kiernan) recommend that Shareholders vote in favour of Resolution 2 on the basis that the Options to be granted provide Mr Kiernan with an appropriate incentive in recognition of his extensive knowledge, experience and will enable directors' fees to be kept at a modest figure, thus preserving cash for the Company. In determining the appropriate number of Options to be issued, the Board has calculated the value of the Options using a Black & Scholes valuation model (see (f) below). The Board (other than Mr Kiernan) believes that the value of the Options in addition to the modest Director's fees is an appropriate quantum and incentive for Mr Kiernan.
- (d) Mr Kiernan makes no recommendation in relation to Resolution 2 on the basis that he has an interest in the outcome of the resolution.
- (e) The Options will be issued free of charge. However in the event that Mr Kiernan wishes to exercise the Options he would need to pay the appropriate exercise price in relation to the Options which is 20 cents. If he were to exercise all 750,000 of the Options he would be required to pay \$150,000 assuming an exercise price of 20 cents. These proceeds would be used for the Company's general working capital requirements at the appropriate time. The exercise price and exercise date for the Options are set out above.
- (f) Using a Black & Scholes valuation model, the Company estimates that each Option the subject of Resolution 2, has the following values based on the following assumptions:

Exercise Price	20 cents
Market Value of underlying Shares at time of setting exercise price ⁽¹⁾	20 cents
Expiry date	30 April 2021
Expected volatility	100%
Risk free interest rate	2.14%

Annualised dividend yield	Nil
The value of the Options	15.1 cents
The aggregate value of the Options	\$113,250

⁽¹⁾As PhosEnergy Limited is an unlisted public company, the market value assumed is in accordance with the most recent capital raising, which was undertaken in August 2014.

- (g) The exercise price set is based on a previous capital raising that was undertaken in August 2014.
- (h) Mr Kiernan is entitled to non-executive Director's fees of \$10,000 (inclusive of superannuation), however due to market conditions, and with an emphasis on preserving cash, the Directors have agreed to accrue Directors' fees and defer payment of those fees.
- (i) There are no taxation consequences for the Company arising from the issue of the Options (including fringe benefits tax).
- (j) The Company currently has 36,542,899 Shares on issue and 1,500,000 Options. Mr Kiernan's interests in Shares and Options as of the date of this Notice are as follows:
- | | |
|-------------|---------|
| (a) Shares | 664,566 |
| (b) Options | Nil |
- (k) If Resolution 2 is passed, Mr Kiernan will hold an interest in 664,566 Shares and 750,000 Options.
- (l) Assuming that Mr Kiernan exercises all of the Options to be granted to him pursuant to Resolution 2, Mr Kiernan's interest including all the Shares and Options currently held would represent approximately 3.5% of the Company's expanded capital. This assumes all Resolutions in this Notice of Meeting are approved by Shareholders.
- (m) The Options will be issued as soon as practicable following the date of Shareholder approval but in any event no later than 12 months after the Annual General Meeting. The right to exercise will be subject to the terms of their issue.
- (n) Neither the Directors nor the Company are aware of any other information that would be reasonably required by the Shareholders to make a decision whether it is in the best interests of Shareholders to approve Resolution 2.

Recommendation

The Board (except Mr Kiernan) unanimously recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION 3 – GRANT OF OPTIONS TO MR TIM GOYDER

Resolution 3 seeks Shareholder approval for the Company to issue 750,000 Options to Non-executive Director, Mr Tim Goyder, or his nominee, under the terms set out below.

Shareholder approval for the issue of the Options is sought for the purposes of division 3 of Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to "related parties", such as directors of a company.

Purpose of the Options Issue

The purpose of the proposed grant of Options is to provide Mr Goyder with an added incentive in carrying out his duties as a Non-executive Director of the Company. Given the size and stage of the Company and its need to preserve cash, the issue of Options is a valuable part of the compensation to be provided to Mr Goyder.

Terms of the Options

Mr Goyder will be issued 750,000 Options for nil consideration. The Options will expire on 30 April 2021, will vest immediately and have an exercise price of 20 cents.

Subject to Shareholder approval, the Options will otherwise be issued on the terms and conditions set out in Schedule 1.

Part 2E of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving a financial benefit to a related party (such as a director) unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- b) Shareholder approval is obtained prior to the giving of the financial benefit.

A "related party" for the purposes of the Corporations Act is defined widely and includes a director of a public company and former directors of a public company.

A "financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

The proposed grant of Options to Mr Goyder or his nominee involves the provision of a financial benefit to a related party of the Company, and therefore, requires Shareholder approval.

In accordance with the requirements of Part 2E of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Options to Mr Goyder:

- (a) Mr Goyder is a Non-executive Director and is the person to whom the financial benefit, in the nature of Options, is to be given (or his nominee). As a Director, Mr Goyder is a related party of the Company for the purposes of the Corporations Act.
- (b) The financial benefit to be given is the grant of 750,000 Options on the terms noted above.
- (c) Currently, Mr Goyder does not receive any directors' fees or any other form of remuneration.
- (d) Those Directors who have no interest in the outcome of Resolution 3 (being all Directors other than Mr Goyder) recommend that Shareholders vote in favour of Resolution 3 on the basis that the Options to be granted provide Mr Goyder with an appropriate incentive in recognition of his extensive knowledge and experience. In determining the appropriate number of Options to be issued, the Board has calculated the value of the Options using a Black & Scholes valuation model (see (f) below). The Board (other than Mr Goyder) believes that the value of the Options is an appropriate quantum and incentive for Mr Goyder in lieu of receiving any Directors' fees.
- (e) Mr Goyder makes no recommendation in relation to Resolution 3 on the basis that he has an interest in the outcome of the resolution.
- (f) The Options will be issued free of charge. However in the event that Mr Goyder wishes to exercise the Options he would need to pay the appropriate exercise price in relation to the Options which is 20 cents. If he were to exercise all 750,000 of the Options he would be required to pay \$150,000 assuming an exercise price of 20 cents. These proceeds would be used for the Company's general working capital requirements at the appropriate time. The exercise price and exercise date for the Options are set out above.
- (g) Using a Black & Scholes valuation model, the Company estimates that each Option the subject of Resolution 3, has the following values based on the following assumptions:

Exercise Price	20 cents
Market Value of underlying Shares at time of setting exercise price ⁽¹⁾	20 cents
Expiry date	30 April 2021
Expected volatility	100%

Risk free interest rate	2.14%
Annualised dividend yield	Nil
The value of the Options	15.1 cents
The aggregate value of the Options	\$113,250

⁽¹⁾As PhosEnergy Limited is an unlisted public company, the market value assumed is in accordance with the most recent capital raising, which was undertaken in August 2014.

- (h) The exercise price set is based on a previous capital raising that was under taken in August 2014.
- (i) There are no taxation consequences for the Company arising from the issue of the Options (including fringe benefits tax).
- (j) The Company currently has 36,542,899 Shares on issue and 1,500,000 Options. Mr Goyder's interests in shares and Options as of the date of this Notice are as follows:
 - (a) Shares 6,296,700
 - (b) Options Nil
- (k) If Resolution 3 is passed, Mr Goyder will hold an interest in 6,296,700 Shares and 750,000 Options.
- (l) Assuming that Mr Goyder exercises all of the Options to be granted to him pursuant to Resolution 3, Mr Goyder's interest including all the Shares and Options currently held would represent approximately 17.3% of the Company's expanded capital. This assumes all Resolutions in this Notice of Meeting are approved by Shareholders.
- (m) The Options will be issued as soon as practicable following the date of Shareholder approval but in any event no later than 12 months after the Annual General Meeting. The right to exercise will be subject to the terms of their issue.
- (n) Neither the Directors nor the Company are aware of any other information that would be reasonably required by the Shareholders to make a decision whether it is in the best interests of Shareholders to approve Resolution 3.

Recommendation

The Board (except Mr Goyder) unanimously recommend that Shareholders vote in favour of Resolution 3.

RESOLUTION 4 – GRANT OF OPTIONS TO MR THOMAS POOL

Resolution 4 seeks Shareholder approval for the Company to issue 250,000 Options to Non-executive Director, Mr Thomas Pool, or his nominee, under the terms set out below.

Shareholder approval for the issue of the Options is sought for the purposes of division 3 of Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to "related parties", such as directors of a company.

Purpose of the Options Issue

The purpose of the proposed grant of Options is to provide Mr Pool with an added incentive in carrying out his duties as a Non-executive Director of the Company. Given the size and stage of the Company and its need to preserve cash, the issue of Options is a valuable part of the compensation to be provided to Mr Pool.

Terms of the Options

Mr Pool will be issued 250,000 Options for nil consideration. The Options will expire on 30 April 2021, will vest immediately and have an exercise price of 20 cents.

Subject to Shareholder approval, the Options will otherwise be issued on the terms and conditions set out in Schedule 1.

Part 2E of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving a financial benefit to a related party (such as a director) unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- b) Shareholder approval is obtained prior to the giving of the financial benefit.

A "related party" for the purposes of the Corporations Act is defined widely and includes a director of a public company and former directors of a public company.

A "financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

The proposed grant of Options to Mr Pool or his nominee involves the provision of a financial benefit to a related party of the Company, and therefore, requires Shareholder approval.

In accordance with the requirements of Part 2E of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Options to Mr Pool:

- (a) Mr Pool is a Non-executive Director and is the person to whom the financial benefit, in the nature of Options, is to be given (or his nominee). As a Director, Mr Pool is a related party of the Company for the purposes of the Corporations Act.
- (b) The financial benefit to be given is the grant of 250,000 Options on the terms noted above.
- (c) Those Directors who have no interest in the outcome of Resolution 4 (being all Directors other than Mr Pool) recommend that Shareholders vote in favour of Resolution 4 on the basis that the Options to be granted provide Mr Pool with an appropriate incentive in recognition of his extensive knowledge, experience and capabilities. In determining the appropriate number of Options to be issued, the Board has calculated the value of the Options using a Black & Scholes valuation model (see (f) below). The Board (other than Mr Pool) believes that the value of the Options in addition to the modest Director's fees is an appropriate quantum and incentive for Mr Pool.
- (d) Mr Pool makes no recommendation in relation to Resolution 4 on the basis that he has an interest in the outcome of the resolution.
- (e) The Options will be issued free of charge. However in the event that Mr Pool wishes to exercise the Options he would need to pay the appropriate exercise price in relation to the Options which is 20 cents. If he were to exercise all 250,000 of the Options he would be required to pay \$50,000 assuming an exercise price of 20 cents. These proceeds would be used for the Company's general working capital requirements at the appropriate time. The exercise price and exercise date for the Options are set out above.
- (f) Using a Black & Scholes valuation model, the Company estimates that each Option the subject of Resolution 4, has the following values based on the following assumptions:

Exercise Price	20 cents
Market Value of underlying Shares at time of setting exercise price ⁽¹⁾	20 cents
Expiry date	30 April 2021
Expected volatility	100%
Risk free interest rate	2.14%
Annualised dividend yield	Nil

The value of the Options	15.1 cents
The aggregate value of the Options	\$37,750

⁽¹⁾As PhosEnergy Limited is an unlisted public company, the market value assumed is in accordance with the most recent capital raising, which was undertaken in August 2014.

- (g) The exercise price set is based on a previous capital raising that was undertaken in August 2014.
- (o) Mr Pool is entitled to non-executive Director's fees of \$10,000, however due to market conditions, and with an emphasis on preserving cash, the Directors have agreed to accrue Directors' fees and defer payment of those fees.
- (h) There are no taxation consequences for the Company arising from the issue of the Options (including fringe benefits tax).
- (i) The Company currently has 36,542,899 Shares on issue and 1,500,000 Options. Mr Pool's interests in Shares and Options as of the date of this Notice are as follows:
- | | |
|-------------|--------|
| (a) Shares | 56,206 |
| (b) Options | Nil |
- (j) If Resolution 4 is passed, Mr Pool will hold an interest in 56,206 Shares and 250,000 Options.
- (k) Assuming that Mr Pool exercises all of the Options to be granted to him pursuant to Resolution 4, Mr Pool's interest including all the Shares and Options currently held would represent approximately 0.8% of the Company's expanded capital. This assumes all Resolutions in this Notice of Meeting are approved by Shareholders.
- (l) The Options will be issued as soon as practicable following the date of Shareholder approval but in any event no later than 12 months after the Annual General Meeting. The right to exercise will be subject to the terms of their issue.
- (m) Neither the Directors nor the Company are aware of any other information that would be reasonably required by the Shareholders to make a decision whether it is in the best interests of Shareholders to approve Resolution 4.

Recommendation

The Board (except Mr Pool) unanimously recommend that Shareholders vote in favour of Resolution 4.

RESOLUTION 5 – GRANT OF OPTIONS TO MR BRYN JONES

Resolution 5 seeks Shareholder approval for the Company to issue 1,000,000 Options to the Managing Director, Mr Bryn Jones, or his nominee, under the terms set out below.

Shareholder approval for the issue of the Options is sought for the purposes of division 3 of Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to "related parties", such as directors of a company.

Purpose of the Options Issue

The purpose of the proposed grant of Options is to provide Mr Jones with an added incentive in carrying out his duties as the Managing Director of the Company. Given the size and stage of the Company and its need to preserve cash, the issue of Options is a valuable part of the compensation to be provided to Mr Jones.

Terms of the Options

Mr Jones will be issued 1,000,000 Options for nil consideration. The Options will expire on 30 April 2021, have an exercise price of 20 cents and with the following vesting conditions:

- 500,000 options will vest immediately; and
- 500,000 options will vest 28 February 2017.

Subject to Shareholder approval, the Options will otherwise be issued on the terms and conditions set out in Schedule 1.

Part 2E of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving a financial benefit to a related party (such as a director) unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- b) Shareholder approval is obtained prior to the giving of the financial benefit.

A "related party" for the purposes of the Corporations Act is defined widely and includes a director of a public company and former directors of a public company.

A "financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

The proposed grant of Options to Mr Jones or his nominee involves the provision of a financial benefit to a related party of the Company, and therefore, requires Shareholder approval.

In accordance with the requirements of Part 2E of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Options to Mr Jones:

- (a) Mr Jones is the Managing Director of the Company and is the person to whom the financial benefit, in the nature of Options, is to be given (or his nominee). As a Director, Mr Jones is a related party of the Company for the purposes of the Corporations Act.

- (b) The financial benefit to be given is the grant of 1,000,000 Options on the terms noted above.

- (c) Mr Jones does not receive any salary in his role as Managing Director, however receives a consulting fee of \$1,500 per day for his services.

(d)

Those Directors who have no interest in the outcome of Resolution 5 (being all Directors other than Mr Jones) recommend that Shareholders vote in favour of Resolution 5 on the basis that the Options to be granted provide Mr Jones with an appropriate incentive in recognition of his extensive knowledge, experience and capabilities. In determining the appropriate number of options to be issued, the Board has calculated the value of the Options using a Black & Scholes valuation model (see (f) below). The Board (other than Mr Jones) believes that the value of the Options is an appropriate quantum and incentive for Mr Jones in lieu of receiving any Directors' fees.

- (e) Mr Jones makes no recommendation in relation to Resolution 5 on the basis that he has an interest in the outcome of the resolution.

- (f) The Options will be issued free of charge. However in the event that Mr Jones wishes to exercise the Options he would need to pay the appropriate exercise price in relation to the Options which is 20 cents. If he were to exercise all 1,000,000 of the Options he would be required to pay \$200,000 assuming an exercise price of 20 cents. These proceeds would be used for the Company's general working capital requirements at the appropriate time. The exercise price and exercise date for the Options are set out above.

- (n) Using a Black & Scholes valuation model, the Company estimates that each Option the subject of Resolution 5, has the following values based on the following assumptions:

Exercise Price	20 cents
Market Value of underlying Shares at time of setting exercise price ⁽¹⁾	20 cents
Expiry date	30 April 2021
Expected volatility	100%

Risk free interest rate	2.14%
Annualised dividend yield	Nil
The value of the Options	15.1 cents
The aggregate value of the Options	\$151,000

⁽¹⁾As PhosEnergy Limited is an unlisted public company, the market value assumed is in accordance with the most recent capital raising, which was undertaken in August 2014.

- (g) The exercise price set is based on a previous capital raising that was under taken in August 2014.
- (h) There are no taxation consequences for the Company arising from the issue of the Options (including fringe benefits tax).
- (i) The Company currently has 36,542,899 Shares on issue and 1,500,000 Options. Mr Jones' interests in Shares and Options as of the date of this Notice are as follows:

(a) Shares	173,636
(b) Options	Nil
- (j) If Resolution 5 is passed, Mr Jones will hold an interest in 173,636 Shares and 1,000,000 Options.
- (k) Assuming that Mr Pool exercises all of the Options to be granted to him pursuant to Resolution 5, Mr Jones' interest including all the Shares and Options currently held would represent approximately 2.9% of the Company's expanded capital. This assumes all Resolutions in this Notice of Meeting are approved by Shareholders.
- (l) The Options will be issued as soon as practicable following the date of Shareholder approval but in any event no later than 12 months after the Annual General Meeting. The right to exercise will be subject to the terms of their issue.
- (m) Neither the Directors nor the Company are aware of any other information that would be reasonably required by the Shareholders to make a decision whether it is in the best interests of Shareholders to approve Resolution 5.

Recommendation

The Board (except Mr Jones) unanimously recommend that Shareholders vote in favour of Resolution 5.

GLOSSARY

The following is a glossary of terms and abbreviations used frequently throughout this Explanatory Statement and in the Notice of Meeting and which such meanings shall apply unless the context requires otherwise. Additional terms used only occasionally are defined where used in their first instance in the body of this Explanatory Statement.

Board of Directors or Board:	means the board of Directors of the Company.
Business Day:	means a day, other than Saturdays, Sundays or any other public holiday in Perth, Western Australia.
Chairman:	means the chairman of the Company or the Annual General Meeting (or as the case may be).
Constitution:	means the constitution of the Company.
Corporations Act:	means the <i>Corporations Act 2001</i> (Cth).
Directors:	means the directors of the Company.
Explanatory Statement:	means this explanatory statement.
Meeting or Annual General Meeting	means the meeting of Shareholders called by the Notice of Meeting.
Notice of Meeting:	means the notice of meeting of which this Explanatory Statement forms part.
Option:	means an option to acquire a fully paid ordinary share in the Company upon payment of the appropriate exercise price prior to the expiry period.
PhosEnergy or Company:	means PhosEnergy Limited (ACN 164 573 728).
Proxy Form:	means the proxy form enclosed with the Notice of Meeting.
Resolution:	means a resolution to be considered by the Shareholders at the Meeting.
Share:	means a fully paid ordinary share in the Company.
Shareholder:	means a registered member of the Company.
WST:	means Western Standard Time.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

Shares upon exercise

Each issued Option entitles the holder upon exercise to one Share, which will rank equally with all other Shares.

Exercise price

The exercise price of the Options shall be such price as is determined by the Board in its discretion on or before the date of issue.

Not transferable or quoted

Options may not be transferred other than to an associate of the holder.

Vesting conditions

An Option may only be exercised after that Option has vested and any other conditions imposed by the Board on exercise are satisfied. The Board may determine the vesting period. An Option will lapse upon the first to occur of:

- (a) the expiry date;
- (b) the holder acting fraudulently or dishonestly in relation to the Company;
- (c) within 14 days of the holder ceasing to be employed by the Company; or
- (d) on certain conditions associated with a party acquiring a 90% interest in Shares.

The Board may declare an Option to be free of any conditions of exercise if in the opinion of the Board, any of the following change of control event has occurred or is likely to occur:

- (a) the company entering into a scheme arrangement;
- (b) the commencement of a takeover bid for the Shares; or
- (c) a party acquiring a sufficient interest in the Company to enable that party to replace the Board.

Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date in any number.

No participating rights

There are no participating rights or entitlements inherent in the Options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 business days after the issue is announced. Optionholders will be afforded the opportunity to exercise all Options which they are entitled to exercise prior to the date for determining entitlements to participate in such issue.

Bonus issues

If the Company makes an issue of Shares to shareholders by way of capitalisation of profits or reserves (“Bonus issue”), each optionholder holding any Options which have not expired at the time of the record date for determining entitlements to the bonus issue, upon exercise of those Options, will be entitled to have be issued with the number of Shares which would have been issued under the Bonus issue. The Options must be exercised immediately before the record date in determining entitlements under the Bonus issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The bonus Shares will be paid by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus issue and upon issue, rank *pari passu* in all respect with the other Shares issued.

Reconstructions

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each optionholder is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board.

Tax

Under current taxation laws, any taxation liability in relation to the Options, or the Shares issued on the exercise of the Options will fall on the participants. The Company will not be liable for fringe benefits tax in relation to the Options or Shares issued.

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PHOSENERGY LIMITED

ACN 164 573 728

PROXY FORM

APPOINTMENT OF PROXY

I/We

being a Shareholder of PhosEnergy Limited entitled to attend and vote at the Annual General Meeting hereby appoint

the Chairman of the Meeting OR

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of PhosEnergy Limited to be held at 9.30 am (WST) on 20 May 2016 at Level 2, 1292 Hay Street, West Perth, Western Australia and at any adjournment or postponement of that meeting.

Chairman's voting intentions in relation to undirected proxies: The Chairman of the Meeting intends to vote all undirected proxies in favour of all Resolutions. In exceptional circumstances the Chairman of the Meeting may change his/her voting intentions on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

The Chairman is authorised to exercise undirected proxies on remuneration related resolutions: The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution, including Resolutions 2-5. If the Chairman of the Meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to each Resolution, including Resolutions 2-5, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions on each Resolution even if that Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel (as defined in the Company's most recent Remuneration Report).

Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Election of Mr Anthony Kiernan as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Issue of Options to Mr Anthony Kiernan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Options to Mr Tim Goyder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Options to Mr Thomas Pool	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Options to Mr Bryn Jones	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2016

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

Signature
Signature
Signature

Director
Director/Company Secretary
Sole Director and Sole Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. A Shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2. A duly appointed proxy need not be a Shareholder of the Company.

3. **Signing Instructions**

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate is either included in the Notice of Annual General Meeting or may be obtained from the Company's share registry.

4. Completion of a proxy form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.

5. Please complete and sign the proxy form enclosed and either:

- (a) send the proxy form by post to PhosEnergy Limited, GPO Box 2890, Perth, Western Australia, 6001; or
- (b) send the proxy form by facsimile to the Company on facsimile number (+61 8) 9322 5800,

so that it is received **no later than 9.30 am (WST) on 18 May 2016**, being not less than 48 hours prior to the commencement of the meeting. **Proxy forms received later than this time will be invalid.**

Appointment of Corporate Representative

Section 250D of the Corporations Act 2001 (Cwlth)

This is to certify that by a resolution of the directors of:

..... *(Insert name of company)*

(Company), the Company has appointed:

....., *(Insert name of corporate representative)*,

in accordance with the provisions of section 250D of the Corporations Act 2001 (Cwlth), to act as the body corporate representative of that company at the Annual General Meeting of PhosEnergy Limited to be held at 9.30 am (WST) on 20 May 2016 and at any adjournment of that meeting.

DATED 2016

Executed by the Company)
in accordance with its constituent documents)

.....
Signed by authorised representative	Signed by authorised representative
.....
Name of authorised representative (print)	Name of authorised representative (print)
.....
Position of authorised representative (print)	Position of authorised representative (print)

INSTRUCTIONS FOR COMPLETION

Under Australian law, an appointment of a body corporate representative will only be valid if the Certificate of Appointment is completed precisely and accurately.

Please follow the following instructions to complete the Certificate of Appointment:

1. Execute the certificate following the procedure required by your company's constitution or other constituent documents.
2. Print the name and position (eg director) of each company officer who signs this certificate on behalf of the company.
3. Insert the date of execution where indicated.
4. Send or deliver the certificate to GPO Box 2890, Perth WA 6001 or fax the certificate to (+61 8) 9322 5800.