

Quarterly Report - December 2012

Thursday 31st January, 2013

Key Points:

- **Large new contracts awarded in US and UK**
- **Strong pipeline of sales leads**

ASX Code: **PHK**
Share Price: **A\$0.046**
52 Week High: **A\$0.08**
52 Week Low: **A\$0.038**
Issued Shares: **213.5m**
Market Cap: **A\$9.8m**

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Phoslock's Managing Director, Mr Robert Schuitema commented:

"The Company secured several large contracts in the US and UK that impacted both the December 2012 quarter and also March 2013 quarter. The Company has continued to log a growing number of successful Phoslock applications in water bodies around the world. As a result, product awareness and its industry acceptance have been significantly bolstered. We are well-positioned to capitalise on the increasing interest in Phoslock in all of our key markets, including the United States, the UK, Europe, Australia and Asia".



Business Update

Europe and the United Kingdom

During the December 2012 quarter, two large projects and a range of smaller applications were undertaken in Europe. The larger projects involved the application of more than 70 tonnes of Phoslock into lakes in Germany and the Netherlands – while smaller sales were recorded in Italy and the United Kingdom.

PHK recently announced that it has been awarded a major contract to treat two lakes in the United Kingdom for application in the current quarter. The value of the contract is approximately AUD\$400,000. The project, coming after the successful Phoslock treatment of the Serpentine, will further demonstrate the Company's methodology for controlling internal phosphorus loading in eutrophic (phosphorus-enriched) lakes.

Decisions are also pending on a further three separate Phoslock applications in the United Kingdom, which involve the application of an expected additional AUD\$200,000 of Phoslock in the second quarter of FY 2013.

North America

In December 2012, application permits were received from regulators in Florida and southern California, which allow two projects totalling over 100 tonnes to proceed. The Florida project is currently underway and expected to be completed by early February. The project size is approximately 50 tonnes.



Photo: Application of Phoslock to Florida Lake taken 29 January, 2013.

The southern California project, also approximately 50 tonnes is scheduled to be applied in the next quarter..

Sales in the December quarter to our licensee in the United States were very positive. Some sales related to projects being applied to lakes in the first quarter of 2013.

During the quarter, two projects were completed in Canada:- a large storm water project and an industrial site to reduce the level of phosphate discharged in its waste water. Both projects have the ability to be replicated at nearby facilities which have similar phosphate issues.

Asia

The Company continues to work on negotiations on several promising projects in Asia. The potential size of these projects is material in both volume of product and monetary value.

Share Purchase Plan

The Company is currently undertaking a Share Purchase Plan which entitles all Australian and New Zealand registered shareholders (as at close of business on 9 January, 2013) to subscribe for up to \$15,000 of PHK shares at 4.6 cents per share. The offer closes on 7 February, 2013. All documents have been sent to eligible shareholders. If you have not received your documents, please contact the company directly.

Financial Commentary

PHK recorded Net Operating Cash Flow (NOCF) of (A\$241,000) for the December quarter.

Receipts from customers and government grants amounted to \$428,000 for the period. Expenditure for the quarter was \$616,000 (excluding interest and inventory costs). This represents a fourteen per cent increase on the last quarter due to timing issues with various creditor payments, but is well below the historical quarterly average.

The cash balance was \$187,000 as at 31 December, 2012. The Company holds approx. \$1.3m of inventory at current resale prices and debtors of approximately \$300,000.

The Company's working capital facility is currently drawn to \$1,298,000.

A **General Meeting** is scheduled for **15 February, 2013** to seek shareholder approval for the provider of the working capital facility to convert this into fully paid PHK shares at 4.6 cents per share on or before 31 December, 2013. All shareholders have been sent the Notice of Meeting.

For more information please contact:

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Chairman

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ABOUT PHOSLOCK WATER SOLUTIONS LIMITED (PHK)

PHK has worldwide exclusivity for the sale and marketing of Phoslock, a technology developed by the Australian government scientific body CSIRO. Phoslock removes phosphorus and harmful contaminants and has been applied in over 200 water bodies and used in over 20 countries since it was commercialised in 2005.

Phoslock is headquartered in Sydney, Australia and has offices in Brisbane, Kunming, China and European Operations (covering Europe, Central & South America) near Bremen, northern Germany. Phoslock is represented by licensees and agents in ten other countries including SePRO Corporation in the United States.

Phoslock is a certified NSF/ANSI Standard 60 product - North American Drinking Water (see websites ansi.org and scc.ca).

Phoslock Water Solutions is listed on the Australian Stock Exchange (ASX Code: PHK).

For more information about Phoslock Water Solutions visit www.phoslock.com.au or www.phoslock.eu

ABOUT PHOSLOCK – The Product

Phoslock is a unique water treatment product that binds phosphorus from a water body and provides a protective permeable layer to sediments preventing the re-release of phosphorus. Retention of phosphorus deprives algae of nutrients, which improves water quality for human use and aquatic life as well as preventing and controlling Harmful Algal Blooms (HAB).

Phoslock is primarily used as an in water solution for lakes, drinking water reservoirs and other high value recreational water bodies. It is also used as a preventative product to absorb phosphorus before it is transported into water bodies by being applied in storm water basins and inflow channels, rivers and canals.

Phoslock is approved for used in North American Drinking Water Reservoirs via NSF/ANSI Standard 60 Certification. This certifies that Phoslock is safe for use in drinking water.

Phoslock is now used by the aquaculture industry (fish and shrimp/prawn) to control phosphorus levels in grow-out ponds and eliminate harmful algae blooms (HAB) and blue green algae. These have a deleterious effect on the health of aquatic life.

PHOSLOCK BOARD OF DIRECTORS

Mr Laurence Freedman AM Non-Executive Chairman

Mr Freedman was appointed a Director of PWS in October, 2010 and became its Chairman in March 2011.

Mr Freedman has a long history of involvement and expertise in public companies with international trading and investment activities. He began his career with the Gold Fields Group: initially an analyst, he rose to Director of Group companies. He later joined BT Australia as Manager, Investments.

In 1980 he founded Equitilink Limited, an investment management group which he grew to a global company with operations around the world and over \$3 billion under management. He held Chairman and/or Director positions in a number of public and private companies in Australia, the United States, the United Kingdom, Canada, New Zealand and Taiwan.

He was a member of the syndicate which bought the Ten Network, of which he became a director, taking it out of receivership and helping to make it the most profitable media network in Australia for some years.

In 2000 he sold the Equitilink Group and in 2004 sold out of the Ten Group.

He currently manages his private investment portfolio of international shares, property and fixed income securities. He is a mentor to a number of resource, biotech and technology companies.

He is Chairman of The Freedman Foundation, a philanthropic foundation funded by the Freedman family, which assists and supports young Australians in many areas of endeavour. The Foundation also finances a broad range of medical and scientific programs and organisations.

In 2001 he was awarded The Order of Australia for service to the community, to medical research, the arts, and to business and investment in Australia.

He is also Chairman of ASX listed company KalNorth Gold Mines Limited (formerly called Carrick Gold Limited).

Mr Robert Schuitema Managing Director and Company Secretary

Mr Schuitema was appointed a Director of PWS in April 2005, and shortly thereafter assumed the role of Executive Chairman. In January 2007, he took over the role of Managing Director, and at the same time stepped down as Chairman.

Mr Schuitema brings to PWS a wide range of business and commercial skills. In

addition to the daily responsibilities of running PWS businesses globally, he is responsible for investor relations, stock exchange listing and capital raisings. Mr Schuitema is also a Director of PWS' Joint Venture manufacturing company in China, IETC.

Mr Schuitema is a former Managing Director of investment bank Chase Manhattan Bank and later JPMorgan Chase where he was global co-head of the Mining & Metals group and responsible for the Asia-Pacific region and also had extensive involvement in the bank's southern Africa business. He has extensive experience in a range of investment banking disciplines including commodity derivatives, equity issues, project finance for standalone projects, US\$ bond issues, trade finance, acquisition finance and mergers & acquisition advise.

Mr Schuitema is a Director of ASX listed company KalNorth Gold Mines Limited (formerly called Carrick Gold Limited) and previously a Director of Electro-Optical Systems Limited and Inca Copper & Gold Limited (formerly called Condor Metals Limited).

Honorable Pam Allan
Non-Executive Director

The Hon. Pam Allan was appointed a Director of PWS in July 2007.

The Hon. Pam Allan is a former Member of the NSW Parliament for 18 years (retired in March 2007) where she was Minister of Environment (1995-99) and chair of a number of parliamentary committees including Salinity and Resource Management.

The Hon. Pam Allan was elected to the Parramatta City Council in 1983, serving a four year term. In 1988 she was elected to the New South Wales Legislative Assembly for Wentworthville and then for Blacktown in 1991 and 1995. In 1999 and 2003 she was once again elected the Assembly's member for Wentworthville.

The Hon. Pam Allan became the Shadow Minister Planning & Environment 1988-1995, Minister of Environment 1995-1999, Chair for Select Committee on Salinity 2000-2002, the Chair, Standing Committee on Natural Resource Management from May 2003. She retired as the member for Wentworthville at the March 2007 election.

The Hon. Pam Allan currently serves on a number of local government bodies and authorities.